HANDBOOK TO DEVELOP PROJECTS ON REMITTANCES

Good practices to maximize the impact of remittances on development

International Organization for Migration (IOM)

FIIAPP

COOPERACIÓN ESPAÑOLA

A project implemented by the International Organization for Migration, in close collaboration with its partner, the International and Ibero-American Foundation for Administration and Public Policies

This project is financed by the European Union

IOM is committed to the principle that humane and orderly migration benefits migrants and society. As an intergovernmental organization, IOM acts with its partners in the international community to:
assist in meeting the operational challenges of migration; advance understanding of migration issues; encourage social and economic development through migration; and uphold the human dignity and well-being of migrants.

FIIAPP is a Spanish public foundation with more than 15 years of experience in international cooperation. Its main objectives are to improve the institutional framework, legislation and operations of public administrations in the countries where it operates and to enhance the position of Spain and the European Union abroad.

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ABOUT THE PROJECT

The project "Strengthening the dialogue and cooperation between the European Union (EU) and Latin America and the Caribbean (LAC) to establish management models on migration and development policies" is implemented by the International Organization for Migration (IOM), in close collaboration with its partner, the International and Ibero-American Foundation for Administration and Public Policies (FIIAPP), and financed by the EU. The project contributes first of all to the improvement of the knowledge on the migratory situation of the Latin American and Caribbean countries (CELAC) in relation to intra-regional (EU-CELAC) and sub-regional flows (within CELAC countries). In particular, it helps to improve the capacities of national and regional structures for collecting, processing and sharing migration data. Secondly, it aims at designing strategies to capitalize on the expertise acquired by migrants, NGOs and public administrations which during the migratory process through activities related to train in employment and migration. At last, it helps to establish tools which would link more effectively remittances with development of local communities involving the diaspora in this effort.

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To all the people who have contributed to this work, our deepest gratitude. We hope this manual will be a tool which enables governments, diasporas, the private sector and civil society to build partnerships to optimize the exceptional opportunities offered by remittances.

The EU–LAC Project team

*The European Union is a unique political and economic association made up of 28 European countries. The signing of the Treaty of Rome in 1957 demonstrated the resolve of the six founding States to create a common economic area. Since then, the Community – later the European Union – has continued to grow and to welcome new Member States. The European Union has become a huge single market with a single currency, the euro. A union which started out as a purely economic one has evolved into an organization which is active in all areas, from development aid to environmental policy. Thanks to the removal of border controls between EU countries, it is now possible to travel freely between most of them. It is also much easier to live and work in another EU country. The five main institutions of the European Union are the European Parliament, the European Council, the Council of the European Union, the European Commission and the Court of Justice of the European Union. The European Union is the main aid and international development body. It is also the biggest humanitarian aid donor in the world. The prime objective of EU development policy is the eradication of poverty, as laid out in the November 2000 agreement.
http://europa.eu/

(*) In this document, the Plurinational State of Bolivia will be referred to as Bolivia.

INTRODUCTION

This document is presented as an instruction manual to accompany the design of projects in the area of remittances, migrant investment and migrant philanthropy. It has been prepared with several objectives in mind:

(1) To provide a conceptual framework which explains the relationship between the sending of money or remittances and economic development;

(2) To present a review of good practices in development projects[1] which leverage remittances, accompanied by a brief explanation of their success;

(3) To share a partnership model for development projects; and

(4) To design a model for the preparation of development programmes which leverage the economic dynamics of remittances, migrant investments and migrant philanthropy.

In particular, the manual is designed to cover the basic considerations of development work: conceptual elements, good practices, management of partnerships and preparation of proposals to leverage remittances for development. To provide a context for the end user and clarify the conceptual starting point, Chapter 1, "Remittances, diaspora and development: conceptual framework", focuses on summarizing relevant aspects of remittances, the diaspora[2] and development.

The purpose of Chapter 2, "Good practices in remittances work", is to present successful experiences and good practices which can serve as examples to support project development and implementation and partnership-based remittances work. These experiences and practices should be borne in mind to strengthen the success of projects and their impact on development.

The examples of good practice are divided into four main intervention areas related to remittances leveraging or support which drive positive impacts on development. The four areas are: (a) modernization of money transfers; (b) financial inclusion as a leverage strategy in asset creation; (c) investment of migrant capital; and (d) diaspora philanthropy for development.

Chapter 3 of the manual, "Forming partnerships", presents partnership-based work as key to the success of projects and to maximizing their positive impacts on development. It presents a framework of specific tools and criteria for success which help to prepare the partnership to work as a project implementation strategy.

The fourth and final section presents a proposal for "Project Design" for leveraging migrants' economic activities.

1 According to the United Nations Development Programme, development "is about creating an environment in which people can develop their potential and live creative, productive lives according to their needs and interests" (UNDP, 2006). More concretely, development refers to a condition which enables people and society to enjoy good quality of life, to be free, and to have opportunities for social mobility and resources to improve their material circumstances (Orozco, 2007).

2 Gabriel Sheffer (2003:10–11) defines the diaspora as "social-political formations, created as a result of either voluntary or forced migration, whose members regard themselves as of the same ethno-national origin and who permanently reside in one or several host countries. Members of such entities maintain regular or occasional contact with what they regard as their homelands and with individuals and groups of the same background residing in other host countries." IOM (2004) defines the diaspora as any people or ethnic population that leave their traditional ethnic homelands, being dispersed throughout other parts of the world.

General instructions, examples and exercises are used to illustrate the proposal design methodology, which is made up of six components:

1. Rationale and objectives;
2. Proposed and expected outcomes;
3. Activities;
4. Risks;
5. Development impact;
6. Budget.

METHODOLOGY

This manual uses a methodology known as **S-E-X-I**. This acronym represents the methodology's four steps:

Definition, Explanation, Example and Implication.

Statement	**Definition** and meaning of the concept
Explanation	Detailed **explanation** of the practical concept
e**X**ample	**Example** of good practice
Implication	**Implication** or impact of good practice

Structuring the content in an organized and practical manner enables it to be translated into applicable strategies relatively simply. This methodology thus facilitates the teaching of good practice in projects to leverage remittances for development.

The methodology comprises four components:

a) Definition: a brief definition is given of the concept and meaning of the instrument or tool being analysed. This definition is usually conceptual or abstract, and consequently it is important to proceed to the explanation, implications and examples;

b) Explanation: this indicates what we are seeking to implement in our work with remittances and the actions which will help us to foster the appropriate conditions for our aims;

c) Examples – good practices: lessons learned are extracted from implemented projects. Lessons learned can be defined as the knowledge or understanding gained through reflection on an experience or process, or a combination of these. The experience or process can be positive or negative and enables us to learn from accumulated experiences. When revising the examples presented for each criteria, it is important to identify not only which aspects can be replicated, but also how they can be replicated. The examples highlight specific practice which can be incorporated into work on remittances and development;

d) Implication: the implication or impact is the effect that the project activity has on development. This impact or implication is a key component in the remittances leverage strategy, as it reflects the positive outcome obtained when economic activity is utilized to influence development.

The methodology in this manual is based on and complemented by an evaluation[3] (see Annex II) of good practices in remittances projects.

This evaluation of best practices shows the outcomes of 20 development projects which leveraged remittances. These projects tackled four important areas at the intersection between remittances, diaspora and development, namely financial inclusion, improvement of transfers, philanthropy

[3] Available at: http://eea.iom.int/index.php/what-we-do/migration-policy-and-research, http://www.fiiapp.org/comunicacion.php#/0 and http://www.migracion-ue-alc.eu/index.php/en-GB/productive-investment-of-remittances/manual-of-good-practices

and investment of migrant capital.[4] The evaluation of these 20 projects is based on the initial mapping[5] (see Annex I) of 68[6] international projects, 20 of which were chosen as the most successful cases and/or best practices in remittance, investment or philanthropy work.

The 68 projects were selected based on four criteria:

a) The project is directly related to remittances, investment of migrant capital or diaspora philanthropy.

b) Funding originated in part from the diaspora or organizations linked to the field of remittances.

c) The project had ended or was at least nine months into its implementation (a reasonable time period for evaluation). Projects since 2000 were evaluated, as that was when the international community's funding initiative began.

d) The project includes a development objective.

Table 1: Distribution of mapping of remittances, diaspora and development projects (%)

Aim (Thematic axis)	Partner (Implementing body)				
	Diaspora	Government	NGO	Private sector	Total
Improve access to identity documents	0.00	2.94	0.00	0.00	2.94
Improve competition in remittance transfers	7.35	4.41	1.47	0.00	13.24
Increase access to financial services (loans, payments, savings, insurance and so on)	7.35	0.00	16.18	38.24	61.76
Joint initiatives to generate wealth	10.29	2.94	4.41	0.00	17.65
Philanthropic efforts	2.95	1.47	0.00	0.00	4.41
Total	27.94	11.76	22.06	38.24	**100.00**

Table 1 shows the breakdown of the projects by implementing body and thematic axis.

4 Financial inclusion consists of integration into the financial system through access to banking or cooperative services, access to financial services and equal treatment of individuals. The improvement of transfers consists of modernizing and improving availability of money transfer and remittance services for senders and receivers. Improvements are achieved through new technologies, reduced sending costs, better payment points and appropriate regulations. Investment is the contribution of the individual capital of migrants and of the diaspora for profitable activities in the country of origin. Philanthropy consists of donation projects by organized members of the migrant community or diaspora.

5 Available at http://eea.iom.int/index.php/what-we-do/migration-policy-and-research, http://www.fiiapp.org/comunicacion.php and http://www.migracion-ue-alc.eu/index.php/en-GB/productive-investment-of-remittances/manual-of-good-practices

6 The mapping consisted of an extensive review of development projects financed by international organizations with the aim of working in the fields of remittances, investment or migrant philanthropy. Among the results of this review, overview or mapping, it became evident that the international community identifies the transfer of remittances, financial inclusion, investment of migrant capital and migrant philanthropy as the four main areas which intersect with economic development and which are the focus of projects to leverage this.

Table 2: Evaluated remittance and development projects

Institution	Description
Financial inclusion	
Development Market Associates (DMA)	Financial education in Tajikistan
Banpro	Financial education in Nicaragua
Fama	Housing loans
CONFAMA (Colombia)	Housing loans
Banco Los Andes	Microfinance loans
Investment of migrant capital and philanthropic efforts	
AACE Foods	Food manufacturing and distribution business for the internal market
4+1 Initiative	Agricultural microenterprises
Zafen.org	Investment in microenterprises
African Diaspora Marketplace (ADM)	USAID diaspora investment partnership
3x1 Initiative	Social development projects: sewing workshops
Manos Unidas	Workforce education project
Reduction of informality and improvement of transfers	
FEDECACES (El Salvador)	Development of remittances payment services by cooperatives
El Comercio (Paraguay)	Remittances services in rural areas by microfinance institutions (MFIs)
Ecofuturo (Bolivia)	Low-cost remittances services
BANCO FIE	Low-cost remittances services
AIRAC (Dominican Republic)	Remittances transfers via cooperatives
Síntesis (Bolivia)	Low-cost remittances services
Directo a México	Account-to-account payment technology
Génesis Empresarial (Guatemala)	Introduction of payment technologies
BANCOSOL (Bolivia)	Remittances services in rural areas by MFIs

The 20 projects chosen for evaluation were selected based on three criteria:

- Information on project activities was clear and comprehensive;
- Proposed objectives were clear and corresponded to outcomes;
- Physical or documentary access to the implementing institutions participating in the projects was available.

The analysis of the 20 projects selected was then carried out. Table 2 shows the projects evaluated.

I. REMITTANCES, DIASPORA AND DEVELOPMENT: CONCEPTUAL FRAMEWORK

International circumstances have highlighted the phenomenon of migration as an important factor for economic growth and development. Several empirical and conceptual elements can explain this importance. First, international migration occurs in cycles which include economic activities during the migration process. Second, the economic activities of migrants bring with them dynamics and impacts which affect the economies of their countries of origin and destination. Third, these effects have an impact on development.

The specific impact of remittances on development has been widely debated, and although there is no definitive answer, there is a consensus in the literature on how the sending of remittances and diaspora initiatives affect development.[7]

1.1 INTERNATIONAL MIGRATION AND ECONOMIC ACTIVITIES OF MIGRANTS

International migration is one of the trends associated with development. Labour migration in particular occurs based on the degree of development of a country, and this migration subsequently has an effect on the country's development. This happens at different points in the migration process, particularly before migration (when people decide to leave), during migration and after returning to the country of origin.[8]

Recently, academic and development literature have begun to explore the connections between these factors (for example, Phillips, 2009), and it is becoming a topic of discussion and interpretations. For some, the intersection between the areas is causal, and as such, migration is a product of development; that is to say, people migrate because they can. For others, this causality is the reverse: people migrate because they feel they need to do so. IOM (*IOM and Migration and Development*, nd) recasts the relationship between migration and development, with one not dependent on the other: migration is not a substitute for development, and development is not dependent on migration. Even so, development processes (on an individual, community and national level) can be fostered through work on migration themes in general, and on remittances in particular.

Empirical work shows that the relationship between migration and development is dynamic, with the determining factors for labour migration and economic participation intersecting with factors which affect development. Hein de Haas (2008) argues that "migration is not an independent variable explaining change, but is an endogenous variable, an integral part of change itself in the same degree as it may enable further change".

Migration is a constant element in the national life of a country and a component in its integration into the global economy and, as a result, development policies include migration (in some cases) as part of

7 H. de Haas, Migration and development: a theoretical perspective, IMI Working Paper 9 (Oxford, International Migration Institute, 2008).

8 M. Orozco, Migration and development in Central America: perceptions, policies and further opportunities (Washington, D.C., Inter-American Dialogue, 2013).

their strategy for social change. In fact, workforce mobility and government policies are linked in multiple, complex ways. They are connected through three areas: administration of migration, development and diplomacy.

During the migration process, certain dynamics intersect with development, including migrants sending money to their families and the social and economic activities of migrants and the diaspora. The impact of these activities can vary depending on their scope and the degree of government participation. The following table describes some of the areas where migration intersects with development.

The lessons learned in various countries around the world show that the development potential of migration increases if it is regulated, integrated into development strategies, protected through diplomatic cooperation and accompanied by return and reintegration policies. As previously mentioned, the sending of money (remittance) is one of the economic activities linked to development during the migration process, and it is one of the starting points for a study of the topic.

Table 3: Migration process cycle: Public policies and development

<table>
<tr><th>Theme</th><th>Policy Area</th><th>Public Administration Area</th><th>Development Area</th><th>Diplomatic Area</th></tr>
<tr><td colspan="5">Prior to migration or departure</td></tr>
<tr><td rowspan="3">Labour migration</td><td>Bilateral government policies</td><td rowspan="3">Processing and granting of visas, migrant protection</td><td rowspan="3">Workforce training and awareness-raising</td><td rowspan="3">Bilateral cooperation on labour migration and migrant protection</td></tr>
<tr><td>Skills and work</td></tr>
<tr><td>Mitigation of risks</td></tr>
<tr><td colspan="5">During migration (period spent in host country)</td></tr>
<tr><td rowspan="3">Remittances</td><td>Money transfer market</td><td rowspan="5">Institutional links with formal labour migration efforts</td><td rowspan="5">Leverage of development tools by governments</td><td rowspan="5">Joint associations of governments, diaspora and the private sector for development</td></tr>
<tr><td>Financial education and access to financial services</td></tr>
<tr><td>Social well-being</td></tr>
<tr><td rowspan="2">Diaspora</td><td>Access to diaspora and transnational links</td></tr>
<tr><td>Integration of migrants' country of origin</td></tr>
<tr><td colspan="5">After migration</td></tr>
<tr><td rowspan="3">Return</td><td>Legal reintegration</td><td rowspan="3">Laws on return and institutional support</td><td rowspan="3">Incentives for reintegration</td><td rowspan="3">Bilateral development cooperation programmes aimed at returning migrants</td></tr>
<tr><td>Social reintegration</td></tr>
<tr><td>Economic and employment reintegration</td></tr>
</table>

I.2 REMITTANCES AND THE LINK WITH DEVELOPMENT: IMPORTANT TERMS AND INFORMATION

Remittances are money transfers a migrant makes to their family to cover basic household expenditure.[9] As such, it is important to highlight that remittances are private funds, meaning that only the sender and/or the recipient can decide their use.

In national accounts, remittances come under the balance of payments system as unilateral transfers.

These transfers are different to any investments, large or small, made by migrants, or any donations they make to support their community. Remittances, investment and donations are typical migrant economic activities, but they are independent of each other. For example, in Latin America 70% of migrants send money, while only 5% invest in their country of origin and 15% make donations to their community of origin.[10]

What these activities have in common is that, like money transfers, they have an effect on the development and well-being of the recipients.

Development refers to the context and factors which transform the human condition. Definitions of development usually include an improvement in people's standard of living. This standard encompasses aspects such as education, asset-building, health and employment. According to the United Nations Development Programme, development aims to "create an environment in which people can develop their potential and live creative, productive lives according to their needs and interests" (UNDP, 2006). As such, it can be established that development is a condition which enables people and society to enjoy good quality of life, with freedom, opportunities for social mobility and improvements in material conditions (Orozco, 2007).

In the relationship between remittances and development, six areas can be identified which are useful in approaching the topic of how to promote development through projects involving remittances and transnational or diaspora links. These aspects are as follows:

1. The remittance as commercial goods in money transfers;
2. Remittances as contributions to poverty reduction;
3. Remittances and gender: women;
4. Remittances and asset creation: saving and investment among recipients;
5. Remittances in macroeconomics;
6. Remittances as part of transnational economic dynamics.[11]

These studies show how the economic activities of migrants transform the material situation of their families, societies, and themselves (Orozco, 2005). The challenge, therefore, is to strengthen the positive aspects of this transformation to foster development.

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9 Author's own definition. For more information, see the attached glossary.

10 Orozco et al., Transnational engagement, remittances and their relationship to development in Latin America and the Caribbean (Washington, D.C., Institute for the Study of International Migration, Georgetown University, 2005). Orozco, Tasting identity: trends in migrant demand for home-country goods (Washington, D.C., USAID, 2008).

11 In this document, both the terms "remittance" (singular) and "remittances" (plural) are used. The first is used to designate a transfer as a personal activity (for example, "send a remittance"), while the second refers to accumulated volumes (of transactions or amounts, for example, "the remittances sent by a population").

1. The remittance as commercial goods in money transfers

The remittance as commercial goods in money transfers has been viewed from the angle of money payments, which are prioritized in relation to their costs, access, added value and legal formality. An efficient transfer is one which is low-cost, is accessible at the point of origin and payment of the transaction, has added value (for example, it can be leveraged for other activities) and happens through a formalized process. Competition among payment systems has contributed to a reduction in sending costs, thus increasing the amount available for sending (Orozco, 2012, 2013).

2. Remittances as contributions to poverty reduction

The flow of remittances affects countries' financial and economic systems in many ways. For example, some studies have shown that remittances tend to reduce poverty. The analysis by Adams and Page (2005) showed that an increase in remittances of 10% brings about a 3.5% reduction of the population living in poverty. Adams (2004) also examined the relationship between poverty and remittances in Guatemala, based on data from household questionnaires. He found a 1.6% reduction of poverty and a 12.6% reduction in the degree of poverty (that is to say, income rose but not sufficiently to overcome the study's defined thresholds for poverty levels: extreme, medium and so on). Furthermore, Orbe's (2006) study of the effects of remittances on the distribution of wealth in Ecuador found that the Gini coefficient decreased from 0.54 to 0.52 as a result of including remittances when measuring the indicator, showing that remittances reduce income inequality. In general, remittances increase the wealth of people in all income groups (Orbe, 2006).

3. Remittances and gender: women

It is also important to recognize that remittances are influenced by the gender variable, as well as having an influence on it. Policymakers should bear this in mind when attempting to leverage remittances for development. The gender concept is associated with the ways in which societies define relationships between men and women: the interrelationship between power, authority and gender. Mahler (2006) notes that "the integration of women into the labour force alters gender relations significantly”. This phenomenon is also true for labour migration and remittances.

Until the 1970s most migrants were perceived to be male. However, with the changes brought about by globalization (a rise in simple manufacturing and jobs in workforce-intensive activities), the feminization of work has increased. This change caused an increase in female migration, particularly in response to the demand for domestic workers, in the entertainment sector, agricultural workers and people working in the hospitality sector (Chang, 2000; Ehrenreich and Hochschild, 2002).

The gender distribution of migrants varies between regions. Women make up between 30 and 80% of people sending remittances. In Africa and Central Asia most senders are men, while in Southeast Asia they are mostly women. In industrialized countries they are divided more equally. Even so, two thirds of those who receive remittances are women, with flows representing up to 70% of family income (Orozco and Fedewa, 2005).

Table 4: Average amount sent by gender for major cities

	Average sent (USD)		Remittance–income ratio	
	Male	Female	Male	Female
Madrid	239	229	0.14	0.14
Barcelona	214	252		
Rome	258	260		
Chicago, New York, Washington, D.C., Los Angeles	254	253	0.14	0.15
Paris	329	342	0.15	0.09

Source: Studies carried out by the author, 2009.

While few studies focus specifically on gender differences in remittances, some do include this variable in their analysis. The basic questions explored in these studies are whether men and women have different motivations and/or whether they send different amounts of money.[12] The following tables show differences in sending and receiving remittances.

[12] See for example, R. Agarwal and A.W. Horowitz, Are international remittances altruism or insurance? Evidence from Guyana using multiple-migrant households (*World Development*, 30(11):2033–2044, 2002).
L. Basem and D. Massey, Determinants of saving, remittances and spending among US migrants in four Mexican communities (*Sociological Inquiry*, 62(2):185–207, 1992).
J. Hoddinott, A model of migration and remittances applied to western Kenya (*Oxford Economic Papers*, 46(3):459–476, 1994).
M. Orozco, B.L. Lowell and J. Schneider, Gender-specific determinants of remittances (Washington, D.C., Institute for the Study of International Migration, Georgetown University, 2006).
M. Semyonov and A. Gorodzeisky, Labor migration, remittances and household income: a comparison between Filipino and Filipina overseas workers (*International Migration Review*, 39(1):45–68, 2005).
L. Vanway, Altruistic and contractual remittances between male and female migrants and households in rural Thailand (*Demography*, 41(4):739–756, 2004).

Table 5: Average annual amount received in USD by gender among remittances receivers in various countries

Country	Female	Male	Ratio
Georgia	2,486	5,500	0.45
Azerbaijan	3,120	5,022	0.62
Paraguay	1,647	1,728	0.95
Guatemala	4,860	4,416	1.10
Nicaragua	2,275	2,628	0.86
Tajikistan	3,024	3,366	0.89
Kyrgyzstan	2,367	3,069	0.77
Jamaica	3,003	3,231	0.93
Armenia	4,387	7,187	0.61
Mexico	822	1,458	0.56
Uzbekistan	2,831	2,716	1.04
Republic of Moldova	4,695	6,148	0.76

Source: Orozco, M. Data from financial education projects with 50,000 remittances receivers in these countries.

Table 6: Relationship and amount received by recipient

Relationship of recipient to sender	Nicaragua		Dominican Republic		Honduras	
	Female	Male	Female	Male	Female	Male
Parent	196	205	271	159	195	421
Child	175	121	219	199	190	131
Sibling	180	135	243	186	235	325
Grandparent	1,100	50	171	83	300	—
Aunt/Uncle	132	130	195	151	250	60
Friend/Other	181	158	266	150	277	270

Source: Orozco, M. Household surveys carried out by the author in 2009.

Numbers of female migrants are currently rising, and there is also demand around the world for highly qualified female workers (Orozco, 2012). These dynamics not only affect the numbers of migrants by gender and amount of remittances, but they also have the potential to alter gender relationships in receiving countries, families, the diaspora and of people themselves.

The inclusion of a gender-based approach is thus an important opportunity which must not be taken lightly, as the impact of this variable is clear in any dealings with the topic of development.

4. Remittances and asset creation: saving and investment among recipients

The relationship between remittances and financial assets is perhaps one of the dimensions with the strongest links to development. Analysing this particular aspect, we find that remittances allow people in the receiving household to stay above the poverty line and contribute significantly to building their assets. Research shows that in most countries, families receiving remittances have a positive correlation between receiving them and financial activities: transfers increase disposable income, thus increasing household savings.

Increasing savings creates a more solid economic base which helps guarantee financial independence. In particular, as the amount received increases (either in size or in frequency), the number of families with savings, bank accounts and participation in other financial activities also increases. Furthermore, when the availability of financial services matches demand, the local economy is better able to absorb this income.

Migration and finance trends are also linked to microfinance institutions (MFIs): their participation can give a strong boost to financial access. MFIs can be the "missing link" to development, owing to their extensive presence in rural areas, where many recipients live.

5. Remittances in macroeconomics

The positive effects of remittances on national economies cannot be minimized or ignored. The impact of these flows depends on the productive base of the local economy and its ability to absorb and exploit this income. In some countries, remittances can artificially inflate property prices and fuel inflation. A World Bank study found varying results of the impacts of remittances. In some cases, remittances can increase access to finance, but in other cases they can affect a country's real exchange rate (Fajnzylber and López, 2007).

6. Remittances as part of transnational economic dynamics

Lastly, remittances constitute one component of migrants' transnational activities. Other economic links with the country of origin include philanthropic donations (with financial or social aims) by migrant communities or diasporas, and personal investments by migrants or diasporas. In both cases, migrants look to maintain their material links by means other than sending money, but still related to their communities or society. They decide to join community groups to make donations with social aims (education, health) or productive ones (creation of farms, agricultural collectives, microenterprises and so on). In other cases, a smaller percentage (10%) try to stay connected to their country of origin through commercial or private investment. This investment is sometimes made in association with family members or made independently (Orozco, 2005).

In summary, *asset creation* as a by-product of income from remittances or sending money for philanthropic or investment purposes can be seen as a common denominator in poverty reduction, gender relationships, savings and the production base.

I.3 SYNTHESIS OF THE REMITTANCE–DEVELOPMENT LINK

It is particularly valuable to point out that the importance of the remittance lies predominantly in its effect on asset creation. As such, it is essential to present these empirical assumptions:

I. Remittances increase household income (they make up 50% of total household income; only 20% of households depend on a remittance for 80% or more of their income), thus increasing the disposable amount;

II. The increase in income invariably corresponds to the household's ability to save;

III. Remittances have a functional role in relation to income and savings: as disposable income increases, they have an effect on the increase in savings;

IV. As a person receives remittances over a period of time or in greater amounts, the ability to save increases in relation to the amount or reserves. There is a positive correlation between the amount of money received and the amount saved, although in the majority of cases (more than 65% of savers), savings are informal;

V. In fewer cases, remittances also affect the ability to invest as disposable income increases. This happens in households which understand how to diversify their investments;

VI. As such, a development strategy focuses not on the remittance, but on the savings which result from the increase in disposable income as a result of the money received as a remittance.[13]

In the context of development policies, these assumptions are therefore based on the unit and level of analysis of the remittance and other economic activities (investment and philanthropy by migrants). As a unit of analysis, remittances reveal two facets: firstly, remittances are identified as *merchandise or products* (the act of migrants sending money, which refers to the transaction), and secondly, the remittance as a medium for leverage (remittances as part of the income that households receive). This facet can be studied according to the levels of analysis being used (households, poverty, assets, national economy).

[13] This reality demystifies the notion of "productive use" of the remittance. This notion assumes that the transfer received: a) is managed independently of other sources of income; and b) is used incorrectly for consumption, rather than for productive means. However, these suppositions are both unconfirmable and incorrect. The remittance is part of the total income and households do not separate one source of income from another as they are all used in the same way, to cover spending and investments. In addition, the supposition of non-productive use of the remittance reflects opinions not facts: the increase in consumption resulting from the increase in disposable income creates demand for employment. Furthermore, the increase in disposable income increases savings rates. As such, it is inappropriate to use incorrect terminology such as "productive use".

Table 7 explains some of the levels and units of analysis associated with remittances. For example, for the transfers unit, at household level the cost of the transfers is an extremely important variable. In this same unit, but when analysing the national level, brokerage (financial, compliance with legal frameworks and so on) is a more important study factor.

Table 7: Levels and units of analysis of the economic activities of migrants and their families

Units of analysis	Levels of analysis			
	Household	Community	Institutions	Country
Transfer	Cost of transaction	Small businesses	Competition	Brokerage
Role of leverage	Accumulation of savings	Investment	Proportion of savings	International reserves
Investment of migrant capital	Housing improvements	Microenterprises	Formalization of microenterprises	Increase in wealth
Migrant philanthropy	Voluntary work	Social development	Social partnerships	External help from diaspora

These themes have been taken up again in practice by the international community through investment projects for development. The next section will demonstrate good practices in this field.

II. GOOD PRACTICES IN WORK WITH REMITTANCES

The international development community has gradually integrated the knowledge acquired about remittances into its efforts to leverage the economic realities of migration, which in turn form part of the development strategy. The result has produced many initiatives which seek to increase wealth and which have been led by bilateral and multilateral agencies such as IOM, the World Bank, the Inter-American Development Bank (IDB), UNDP and migrant-community organizations, among other social actors. These efforts have had significant consequences for the promotion of development.

For example, the evaluation of good practices on the subject which accompanied the preparation of this manual (see Annex II),[14] presents an overview and evaluation of 70 successful projects. This shows the feasibility of working in this field to leverage the economic reality of *remittances (improvements in transfers and financial education), investment and philanthropy*. These three activities are the most common amongst migrants and their households, and it has been observed that they are the ones that have the most impact on development. Table 8 shows the distribution of the development projects, by development actor and thematic axis, which have been implemented by the international development community in the field of transfer improvement, financial education, investment and philanthropy. More than 70% of the projects involved activities related to access to the financial system for remittances recipients – a topic linked to asset creation, while less than 20% concentrated on investment initiatives.

Table 8: Distribution of mapping of remittances, diaspora and development projects (%)

Aim	Partner				
	Diaspora	Government	NGO	Private sector	Total
Improve access to identity documents	0.00	2.94	0.00	0.00	2.94
Improve competition in remittance transfers	7.35	4.41	1.47	0.00	13.24
Increase access to financial services (loans, payments, savings, insurance and so on)	7.35	0.00	16.18	38.24	61.76
Joint initiatives to generate wealth	10.29	2.94	4.41	0.00	17.65
Philanthropic efforts	2.95	1.47	0.00	0.00	4.41
Total	27.94	11.76	22.06	38.24	**100.00**

It is important to highlight that some projects are part of framework programmes, such as the 3x1 programme, for example. 3x1 encompasses more than 3,000 projects in Mexico which have been implemented in conjunction with Mexican hometown associations and several levels of government. This is important for keeping in perspective that when talking about projects, we can consider both relatively small-scale projects and large programmes with many partners, activities and outcomes.

[14] This section has been prepared based on the evaluation and analysis of good practices in remittances projects. These form part of the study in this manual under the EU–LAC project. The study mapped 70 projects and carried out further analysis on 20 of them.

II.1 IMPACT ON DEVELOPMENT

This evaluation of good practices in remittances projects presents lessons on good practices based on project analysis and evaluation carried out for the preparation of this manual under the EU–LAC project (see Annex II). During this stage, 68 projects were mapped and an in-depth analysis was performed on 20 of them. As an example to illustrate this: the construction of a school or laboratory to train workers can be synonymous with development, as long as the building contributes to improving the community's quality of life and social and economic circumstances.

Below, an evaluation framework demonstrates the degree to which the outcomes of a project contribute to the social and economic development of a community. To summarize, an impact on development is achieved when a population's material conditions, social mobility and quality of life improve. These elements are achieved when a development project or initiative brings together certain development factors or criteria.

Seven factors – 1) ownership, 2) correspondence, 3) sustainability, 4) replicability, 5) accountability, 6) risks and 7) partnerships – were used to evaluate each project, and it is important to consider these factors when planning new development projects. According to previous studies, the presence of these criteria is fundamental to the success of a project.[15] For evaluation purposes, the criteria were included in a scorecard in which they were all assigned the same weighting. Table 9 shows the definitions of the seven criteria used for evaluation.

Table 9: Definition of the seven criteria for evaluating development potential

Ownership	Correspondence	Sustainability	Replicability	Accountability	Risks	Partnerships
• The community participates in project decisions • The community participates in project implementation • After implementation, community members are in charge	• The project responds to basic needs (education, health and so on) • The needs being met are a priority for the development of the geographical area where the project is implemented • Implementation is carried out in conjunction with other institutions	• The project supports development goals • It does not entail an additional burden or additional costs • The project has a life cycle beyond the end of the funding	• The necessary resources are readily available in other communities • The institutional environment required for implementation is readily available in other communities	• Diaspora leaders respond to organization's membership base • Organizational structure incorporates checks and balances for operation and decisions	• Evaluation of the investment is not realistic • Partners do not really participate in implementation	• Degree of shared risk • Degree of compromise on donation of resources • Degree of trust between parties

15 M. Orozco and K. Welle, Hometown associations and development: ownership, correspondence, sustainability and replicability (Washington, D.C., Inter-American Dialogue, 2006).

II.2 GENDER: INTERSECTION BETWEEN REMITTANCES AND DEVELOPMENT

Gender is a relatively new theme when it comes to inclusion in remittances and development programmes. This is due in part to the fact that research into the topic began relatively recently. Nevertheless, there is a great need for gender to be included as a factor which intersects with development, migration and remittances. There are already programmes and projects which have at least differentiated data on sending remittances between men and women, and this input is important when tackling the topic.

Currently, there are also important developments with regard to gender in other contexts (apart from remittances and development), which can certainly be made use of. However, in many cases the approach is a little simplistic and consists of prioritizing programmes aimed at women. This prioritization, while important, ignores the gender differences which affect aspects of equality, equity and access to multiple services which benefit the human condition. Ignoring these differences and focusing on women can lead to erroneous outcomes.

For example, a financial inclusion project aimed at women in a country like Uzbekistan will not have the same impact as a similar project in the Dominican Republic: the prevailing gender relationships in the two countries and societies tend to differ in terms of the condition and position of women as subordinates who lack economic independence. An Uzbek woman receiving remittances from her son or husband is still subordinate to the male head of the household (father-in-law, uncle, brother) and has less power to handle money (even though she has the responsibility of spending it). By contrast, in the Dominican Republic, a mother receiving remittances from her son is able to increase her economic independence as a result, for example enabling her to mobilize her informal savings within the financial system.

Strategies aimed at women do not overcome the social differences caused by gender relationships in the respective societies, which generate different levels of dependence and subordination or opportunities for independence.

II.3 GOOD PRACTICES IN MODERNIZATION OF TRANSFERS, FINANCIAL INCLUSION, INVESTMENT AND PHILANTHROPY

The impact of the 68 projects analysed as part of this manual has produced significant replicable lessons. In this section, lessons on good practice are presented. They are divided into four thematic areas which effectively group the work together:

1. Modernization of money transfers;
2. Financial inclusion;
3. Investment of migrant capital;
4. Diaspora philanthropy for development.

The following table presents a list of good practices by development organizations, according to the experiences observed. Each of these good practices will be illustrated according to the components described in the SEXI methodology[16] (Statement, Explanation, eXample, Implication). This will provide better knowledge and input on the utility and application of these experiences in the formulation of policies and projects.

Each of the thematic areas identified has a dedicated section, with good practices provided for each.

[16] For more details, see the section on methodology.

Table 10: Evaluated development projects on remittances and the diaspora

Institution	Description
a. Reduce informality and improve transfers	
FEDECACES (El Salvador)	Development of remittance payment services provided by cooperatives
Banco Industrial	Remittance payments and cross-selling
b. Increase financial inclusion	
DMA	Financial education in Tajikistan
El Comercio (Paraguay)	Remittance-receiving services in rural areas provided by MFIs
c. Investment of migrant capital	
AACE Foods	Food manufacturing and distribution business for the internal market
4+1	Promotion of creation and strengthening of agricultural microenterprises
Zafen.org	Investment in microenterprises
ADM	USAID diaspora investment partnership
d. Philanthropic activities	
3x1	Social development projects: sewing workshops
Manos Unidas	Workforce education project

1. Modernization of money transfers: reduce informality and improve transfers

1.1 Statement

The modernization of money transfers consists of improving payment systems by adding new partners (at the point of origin and destination), adopting efficient information systems and transfers technology, designing efficient sending methods and increasing the scope of payment networks.

1.2 Explanation

This process has an effect on sending costs, the added value of a transfer. In fact, the modernization of remittances aims to improve the following aspects:

- Reduce costs
- Add value to the transfer
- Increase convenience
- Trust and reputation

Modernization speeds up the transfer of remittances by remittance agencies and financial services companies. First, when the cost of money transfers is reduced, senders and recipients save money. Second, the transfer can benefit other financial activities like credit history, opening a bank account, obtaining credit or mobilizing savings. Third, the modernization of transfers resolves difficulties with sending or delivery by reducing the time transfers take and the distance people need to travel to access services. Fourth, clients value their relationship with the business more and increase their trust in it, thus improving its reputation. Modernization also allows people who send money via technology-based financial instruments (such as online transfers between bank accounts) to send slightly higher amounts than people using cash transfer methods.

This modernization has created partnerships between money transfer companies and financial institutions in both the banking and non-banking sectors. One result of this is the increase in the range of money-sending products and financial products available for recipients, as new methods allow clients to deposit remittance transfers into their accounts. The modern technological tools available include electronic transfers, internet use, electronic cards for sending money and, more recently, mobile phones.

1.3 Good practices

Below are some examples where companies have made use of modernization to increase their competitiveness and closeness to the client with convenient, low-cost products with added value.

FEDECACES (El Salvador)

In 2002, the Inter-American Development Bank/Multilateral Investment Fund (IDB/MIF) provided support to the El Salvador Federation of Savings and Credit Cooperatives (FEDECACES) for the project "Strengthening Financial and Family Remittances Services for Low-Income Populations". The MIF invested USD 1,500,000 and FEDECACES contributed USD 800,000. The total cost of the project was USD 2,300,000. The aim of the project was to promote better access to appropriate financial services for lower-income economic groups, particularly in rural areas of the country.

The project's specific objectives were defined by FEDECACES through the implementation of a service improvement policy. This included reducing the remittance transfer time to less than 30 minutes, establishing an operating cost for remittances of less than USD 1, increasing monthly remittances through promotional activities and adding another 40,000 members to the cooperative, as well as providing financial education to more than 250 people and developing remittance transfer and payment software.

The results were very positive due to the development of the software which increased and surpassed the remittance-transfer goal. Carrying out the transfers online minimized the time required for the process. Currently, FEDECACES carries out more than 80,000 remittances transactions each month and more than half of the recipients have been organized into cooperatives.

BANCO INDUSTRIAL (Guatemala)

Banco Industrial (BI) has acquired modern technology and set up various partnerships with remittance companies in the United States of America* with the aim of providing a good service to senders and recipients of remittances. For migrants resident in the United States, it set up an exclusive call centre which migrants can call free of charge to find out about BI's services. The services offered by the call centre include the opening of accounts in Guatemala in USD or GTQ, planned savings, housing loans, insurance, loans and service payments. Remittances senders can also view all the products in the catalogue available on the BI website.

Housing loans are the most popular product among Guatemalans using BI in the United States. The paperwork is done by family members in Guatemala and/or couriers are used to submit documents.

To access this type of credit, migrants must present, as an essential requirement, their annual tax report for the United States and/or proof of income and a record of remittances sent via BI. The amount of credit available varies from USD 50,000 to USD 125,000.

In addition, BI offers the "Los Chapines Estamos Unidos" ("Guatemalans United") Prepayment Card, which offers a quick and practical way to send remittances to recipients in Guatemala. The aim of the card is to facilitate access to banking services for clients and to provide an easy-to-manage financial instrument. The recipient does not need to go to the bank to receive their remittances – their money is available at any time since the card works as a debit card. BI promotes the advantages of the card: the security it provides, not having to go to the bank, being able to use the card anywhere and being able to use it in a cash machine. BI has opened offices in Florida, California and New Jersey to provide services to Guatemalans in the United States.

(*) In this document, the United States of America will be referred to as the United States.

1.4 Implication

As modernization of payment transfers increases, it contributes to bringing down the cost of transfers, extending service coverage and providing security. It also enables more efficient money transfers and contributes to access to the financial system. In particular, modernization has allowed migrants and recipients to use bank accounts to send and receive transfers. The result is lower-cost transfers and an account deposit, which allows for better management of income and savings. The benefits are not limited to the cost, but also extend to the amount sent: see the following tables.

Table 11: Remittances and the Internet

Host country	Number of companies	Average cost in USD of sending USD 200 via Internet	Average cost in USD of sending USD 200 via an agent
United Kingdom of Great Britain and Northern Ireland	15	8.95	9.53
United States	7	5	8.29

Source: Data compiled by the author, July 2012. In July 2013, the cost for the United Kingdom and the United States via Internet had fallen to USD 5.

Table 12: Amount sent, by sending method (USD)

	Amount sent on each occasion	Annual total amount
Banks	258	3,592
Money transfers	169	2,344
Internet	269	2,685
Travellers	162	1,704

Source: Orozco, 2010.

2. Financial inclusion

2.1 Statement

Financial inclusion means having access to the formal financial system to be able to avail of financial products such as payment, savings, credit and insurance services. These products are not usually available to people with low income or with limited access to services in general.

2.2 Explanation

Financial inclusion is of fundamental importance for households receiving remittances because they have greater savings capacity than the general population as a result of the increase in disposable income created by the remittance. This increase generates strong savings rate, generally in an informal capacity due to the lack of access to financial services. Some of the factors that contribute to this lack of access are:

- Lack of outreach of the financial system to this sector of the population;
- Exclusionary regulations;
- Lack of practical knowledge of the added value of mobilizing savings within the financial system;
- Absence of efficient payment technologies.

In an indirect but relevant way, financial inclusion is an important step towards creating assets, wealth and investment, and its absence reduces the options for getting out of poverty. Financial inclusion can be said to comprise four categories: access to services, promotion of financial products, creation of high-quality financial products specifically for low-income populations and financial education.

a. Access to services

Access refers to financial institutions providing geographically close service points for low-income people and/or remittances recipients. They should also have specialized staff who can assist customers in accessing banking services and/or products.

b. Promotion of financial products

Financial institutions should create and promote products specifically aimed at low-income populations and at senders and recipients of remittances, which enable them to improve their finances and strengthen their future investment capacity.

c. Creation of high-quality products

Los productos de calidad tienen que ser claros para High-quality products need to be clear to customers, indicating their periodicity, rate, costs or commission and payment dates and periods; whilst maintaining the confidentiality of personal information.

d. Financial education

Financial education is a tool which provides people with instruments with which they can manage their financial resources better through budgeting, thus increasing their savings, managing their debts and taking efficient risks. It is particularly important given that in general people have little knowledge or experience of managing money[17]. It helps low-income people to be included financially, as well as enabling migrants and their families to make better use of remittances.

2.3 Good practices

This section summarizes some documentable good practices with regard to the financial inclusion of households receiving remittances. The experience of financial education in Tajikistan is one of these examples.

Financial education in Tajikistan (Tajikistan)

The European Bank for Reconstruction and Development and the multi-donor Early Transition Countries (ETC) Fund supported this financial inclusion project for remittances recipients, with the objective of providing them with financial advice and enabling them to access banking services. The financial advice was provided individually when people visited bank branches to receive their remittances. Over 10 months the project provided financial advice to 43,000 people, surpassing the goal of 20,000. Approximately 15% (6,450 people) opened bank accounts. The average balance maintained in the accounts is USD 1,800, which shows that customers already had savings but did not keep them in bank accounts.

It is important to point out that the financial advice was centred on promoting savings and managing remittances, with emphasis placed on the advantages of saving. This is an example of good practice, as this project model has been replicated in other contexts with good results. Its main contribution is to have proved the business model and the advantages of working with low-income remittances recipients using an approach which benefits all participants.

Financiera El Comercio (Paraguay)

In 2006 the IDB/MIF supported the project “Bringing Unbanked Remittance Recipients in Paraguay into the Formal Financial System” implemented by Financiera El Comercio. The aim was to strengthen the contribution and reach of Paraguay’s financial system, widening its coverage to rural low-income sectors through the efficient management of remittances.

To fulfil its objective, the Financiera El Comercio project applied a financial education development policy so that people could access new products and financial services for the first time. In the first year, 10,323 people accessed new products and financial services for the first time.
To understand the remittances market, Financiera El Comercio conducted a study in three countries – Argentina (Buenos Aires/Greater Buenos Aires), the United States (New York) and Spain (Madrid) – to reach out to the diaspora. It adapted credit technology to the target market and trained sales and administration staff in remittances products thanks to the involvement of the company ACCIÓN Internacional.

Financiera El Comercio developed and supported the implementation of three remittances-related financial products: the “Te Acercamos” (“Bringing You Closer”) card, “Che Rogará” (“Home Improvement”) Remittances, and Microseguro (money transfer-linked life assurance).

[17] M. Orozco, Educación financiera y desarrollo: un modelo para Nicaragua (Confidencial, 11 January 2011).

2.4 Implication

Financial inclusion has a direct effect on asset and wealth creation within a country, and consequently on financial independence. A country's economy benefits from having as many people as possible in the financial system, through providing access to banking services, the formation of cooperatives and use of financial services, among other aspects. In this way, the financial inclusion of households receiving remittances improves the link between remittances and access to banking services. It also increases the number of low-income people with bank accounts and savings accounts. It puts them in line for small business investment credit, health insurance and education, particularly as the result of the creation of a history of usage of these types of products. Table 13 shows the savings potential for remittance-receiving populations of different nationalities. The first column shows the number of people receiving remittances, the third column the percentage of people who could save in the formal system, and the fourth column the average amount the country would benefit from if each person saved USD 1,000.

One visible method of the impact of financial inclusion is financial education. For example, Table 14 shows financial education and the savings generated in several countries. The third column shows the percentage (or conversion rate) of people mobilizing their savings after receiving financial advice and support. The fourth column shows the volumes deposited by these customers in each country and reflects significant contributions within financial institutions.

Financial inclusion of low-income populations is a challenge for financial institutions because it involves wider coverage, with particular emphasis on rural areas (where most potential customers live).

Table 13: Potential savings for economies with remittance-receiving populations

Remittance-receiving population	Countries	Possible savers (55%)	Possible average savings (USD 1 000)
150,000 – 300,000	Costa Rica, Panama, Belize	110,000	110,000,000
300,000 – 500,000	Nicaragua	220,000	220,000,000
500,000 – 1,000,000	Honduras, Ecuador	412,500	412,500,000
1,000,000 – 2,000,000	Colombia, El Salvador, Dominican Republic	825,000	825,000,000
More than 2,000,000	Mexico, Brazil	1,650,000	1,650,000,000

Table 14: Countries where financial education has generated savings

Countries	Advice recipients	Conversion rate (%)	Deposits (USD)	Percentage of advice recipients saving (%)	Project year	Project length
Azerbaijan	18,000	28	1,944,000	47.00	2009	9 months
Georgia	21,000	13	3,276,000	81.40	2009	9 months
Guatemala	14,000	20	1,120,000	66.00	2010	9 months
Nicaragua	10,000	21	460,000	42.40	2011	4 months
Paraguay	12,000	27	864,000	73.10	2011	6 months
Tajikistan	42,000	21	4,500,000	31.00	2011	9 months
Kyrgyzstan	32,000	22	1,750,000	37.60	2011	9 months
Uzbekistan	5,000	19	780,000	30.00	2012	4 months
Armenia	10,000*	46	900,000	42.00	2012	9 months
Republic of Moldova	5,000*	18	1,500,000	70.00	2012	9 months
Mexico	4,000*	21	150,000	51.00	2013	6 months
Jamaica	8,000**	23	800,000	70.00	2013	6 months

Source: Orozco, M. Financial education data complied during project implementation.
*Three months after start of project. **Two months after start of project.

For people with low incomes, financial inclusion seeks social equity while at the same time providing an accessible environment for financial services. Financial inclusion also strengthens and boosts development of diaspora communities, promoting investment in small businesses which also supports recipients.

3. Investment of migrant capital

3.1 Statement

Investment of migrant capital is the placing of liquid or fixed assets by a citizen residing abroad who invests in microenterprises and small businesses in their country of origin.

3.2 Explanation

Investment is one of the least common economic activities among migrants. In general, between 5 and 10% of the diaspora make an investment of this type each year. However, investment generates significant contributions to the economy. First, in general the average amount of investment capital placed by a migrant for a commercial business ranges from USD 15,000 to USD 50,000. Second, this investment is cyclical and is repeated to maintain the business. In many cases, these investments consist of family businesses with a limited focus within the community. Third, these microenterprises and small businesses generate significant opportunities: they create at least two jobs in addition to the work of those managing them; in most cases they are formalized, they contribute to the tax system and they create a stable income. Fourth, their contribution in Latin America must not be underestimated. As shown in Table 15, for example, an average investment of USD 20,000 per capita by 15,000 migrants grows to USD 3 million and creates 30,000 jobs.

Table 15: Potential effects of migrant investment

Migrant population	Countries	Migrant capital (7.5%)	Possible average savings (USD 20 000)	Profit (USD)	Jobs
150,000 – 300,000	Costa Rica, Panama, Belize	15,000	300,000,000	75,000,000	30,000
300,000 – 500,000	Nicaragua	30,000	600,000,000	150,000,000	60,000
500,000 – 1,000,000	Honduras, Ecuador	56,250	1,125,000,000	281,250,000	112,500
1,000,000 – 2,000,000	Colombia, El Salvador, Dominican Republic	112,500	2,250,000,000	562,500,000	225,000
More than 2,000,000	Mexico, Brazil	225,000	4,500,000,000	1,125,000,000	450,000

Source: Author's estimates based on migrant surveys. See, for example, Orozco, 2009.

3.3 Good practices

Experiences of capital investment by migrants have not been widely documented. There are, however, some cases which can illustrate the impact of investments. Below, the cases of AACE Foods in Nigeria, Zafen in Haiti and 4+1 in Mexico are presented.

AACE Foods (Nigeria)

AACE Foods is a project approved by the African Diaspora Marketplace (ADM), an initiative by USAID and Western Union. The project involved constructing a business plan, for which they later obtained funding. It also acquired its own production plant thanks to private funding from the diaspora, an uncommon tool for local businesses.

The project began by producing and selling jelly and also selling spices. It created decent jobs and integrated into national production chains. It is creating a local distribution network, taking into account that the market is used to imported products and not local brands. This aspect forms part of AACE's strategy to promote local development: breaking down stereotypes and mobilizing the local economy.

Sustainability is definitely the project's strong point, thanks to its productivity and the commercialization of the products which enable it to generate considerable profits. It is also important to point out that in order to be sustainable over time significant commitments are required, and in this case the diaspora's participation in promoting and implementing the project was key. It is important to consider that the trust between the diaspora and the partner carrying out the project lends the project credibility, and becomes an incentive for diaspora members to consider returning to their country of origin. It was also an innovative project in terms of funding, as it offered shares to commercial partners with the aim of creating social capital.

Project 4+1 (Mexico)

The 4+1 initiative arose as a direct result of Western Union joining Mexico's 3x1 programme, in which every USD 1 donated by the diaspora is matched by USD 1 from the Federal Government, the relevant State Government, the Municipal Government and Western Union. The diaspora participates by donating on an individual basis and is organized into Migrant Clubs and Federations. The initiative seeks to support the implementation of sustainable projects with clearly defined, concrete business plans.

The Selection Committee has developed decision-making criteria, and decisions are made by consensus, thus facilitating subsequent monitoring and commitment. Western Union participates in the preliminary discussions and receives substantial information about the proposals for the final selection. The initiatives must be feasible in terms of productivity and employment creation. Also included are joint implementation projects with Huaca indigenous populations, which present new challenges.

Ownership is based on the strengths of the projects, which belong to all the partners involved, and on growth through the support of a pre-existing project (3x1). Correspondence is aligned with important development themes such as the creation of employment and business. The achievement of government involvement at different levels is also an excellent practice, although not a very common one.

The inclusion of state resources is difficult to replicate in other contexts. Mechanisms for monitoring the progress of the project include monitoring by the communities and the migrants' groups themselves through pre-existing relationships with the communities, and an Approval Committee that considers the project's activities and monitors any hold-ups. As with any project, the risks are the commitment of the partners, and access to government resources in particular. The partnership is important in building trust and strengthening the relationship between the diaspora and local implementation committees, as well as with the private sector. This project has been successful in this regard.

Zafen.org (Haiti)
The Zafen project arose from the Haitian diaspora's need for an instrument through which to support their country of origin in a monitored, coordinated way, taking into account the investment context in the country. It consists of a platform for receiving funds to support and build the capacities of microenterprises and small businesses (new or expanding). The project implementation partners are Fonkoze Bank, the Haitian Hometowns Association Resource Group, the International Vincentian Family and DePaul University. The project was funded by USAID (US Agency for International Development), the MIF (Multilateral Investment Fund), Mercy Corps, Zynga's corporate responsibility programme, IPM (Integrated Project Management) and Oxfam, among others.

Zafen focuses on businesses which are already up and running but which are too small to come under the SME category. It provides personalized assistance in creating differentiated products and supports specific businesses. Ownership is achieved through the presentation of projects by the beneficiaries themselves, and implementation is also under their own control. The initiative arose from the diaspora as a way of having a meaningful impact in the country.

Sustainability is measured on the basis of reaching a portfolio of USD 4 million. The project has potential for replicability as long as the diaspora has an active presence. One challenge to overcome in a project of this type is the dependence on donations in order to operate and to achieve the goal. The partnership with the diaspora in this project has been an essential element in its success and in the trust built between the partners.

3.4 Implication

The impact of mobilizing migrant capital and investment has a number of effects. First, it can be seen that investment partnerships create trust between partners and motivate the mobilization of money. Second, the investments generally maintain profitability and create jobs. Third, it presents opportunities for third parties to be involved in these initiatives. Fourth, the participation of the diaspora contributes to the development of transnational social capital and also increases and formalizes the volume of investment in their countries. These are innovative practices and an opportunity for people working to strengthen development.

4. Diaspora philanthropy for development

4.1 Statement

Diaspora philanthropy refers to the act of collecting funds from migrants to make donations to non-profit projects. This philanthropy is a relatively well-known practice with a range of variations in its application in development and diaspora issues, including philanthropy in the country of origin, migrant philanthropy and transnational donations.[18] Diaspora philanthropy includes charitable donations in money or in kind by migrants to meet the needs of people in their home communities through clubs and associations abroad.

4.2 Explanation

The growth in transnational philanthropy over the past decade is associated with the increase in migration flows. The main partners involved in philanthropy are migrant clubs, associations in home communities (the main promoters of this kind of activity) and, in some cases, the private sector and government.

a. Project initiatives
Project initiatives are rooted in the basic needs of home communities and are identified through consultation between migrant and home communities. Decision-making may be influenced by factors such as availability of resources, relationship with the place of origin, organizational structure and members' preferences. The types of projects implemented through philanthropy are listed in the next table. The initiatives can be put forward by a number of partners who are also philanthropy actors (these actors not necessarily people who contribute money on an individual basis, but also initiatives created by a group of people).

b. Home community associations or migrants' clubs
A community association is made up of a group of migrants who organize themselves to collect funds for community development. In some countries, such as Mexico, these are known as hometown associations.

[18] J. Lacomba, Migración, asociacionismo y desarrollo. ¿En qué medida contribuyen los migrantes y sus asociaciones al desarrollo de los países de origen? (Universidad de Valencia, n.d.).

Table 16: Examples of activities undertaken by migrant communities for their countries of origin

Category	Type of activity
Charity	Toys, clothes, church donations
Infrastructure	Parks, cemeteries, sports complexes, road building, ambulances, fire trucks
Human development	Scholarships, sports equipment, libraries, health equipment
Investment	Community income generation programmes
Other	General collection of funds

Source: Orozco, 2002.

They provide support by transferring donations and other resources which are channelled to fund activities. Migrants are organized into clubs and associations either spontaneously or after government encouragement in the country of origin, through assistance programmes abroad and/or migration policies.

c. Government sector

Some governments in countries of origin forge links with the communities where migrants reside in order to firm up partnerships for public–private investment and finance development projects in the home communities. Some examples in Latin America are 3x1 in Mexico and Manos Unidas in El Salvador.

4.3 Good practices

3x1 Programme. Sewing Workshop (Mexico)

The 3x1 programme is a migrant association which contributes funds to which the Federal, state and municipal governments add a donation, tripling the final amount available. The Mexican Government recognizes the importance of transnational philanthropy, and in 2002 it created the 3x1 Citizens' Initiative programme, under the Microregions Programme of the Ministry of Social Development (SEDESOL).[19]

The **3x1 Programme: Sewing Workshop** in Jomulquillo, Jerez, Mexico, created a sewing cooperative. The first stage of the project, which saw a small investment of USD 8,300 (25% donated by migrants' clubs/associations in the United States), was completed in 2002. In the second stage, migrants' clubs and the 3x1 Programme contributed a similar investment of USD 8,000 to build a workspace on a piece of land donated by a community resident.

Three years after it started operating, the production of sheets and bedspreads has trebled. Its customers are community residents, family members and residents of nearby communities. The project has strong ownership by the cooperative partners, who participate in decision-making, implementation, commercialization, and business strategies such as loan repayments, hiring of staff and accessing government programmes.

Sustainability comes from the personal and institutional commitment of the partners. The project can be replicated in other contexts, as the partners are present in other communities, although strong group organization is necessary, along with sewing skills and access to capital for the physical implementation of the project. Obtaining the physical equipment requires support through donations of equipment, which can come from migrants' groups and/or government programmes. Finding government support for this kind of project is difficult. There is a strong partnership between the migrants' clubs, the Government and cooperative members, as well as trust in the local market.

[19] Zamora and Padilla, El Programa 3x1. De la filantropía transnacional al desarrollo local con enfoque transnacional (n.d.).

Manos Unidas (El Salvador)

Manos Unidas is a partnership initiative between Salvadorian communities abroad and financial support from Banco Agrícola. In this model, the communities, including the diaspora, put forward proposals for education projects, which are financed jointly by the diaspora and Banco Agrícola. Banco Agrícola contributed USD 1,220,046 and the diaspora USD 383,501, with an additional USD 234,574 coming from the community, making a total of USD 1,838,121 for the project. Alongside the joint implementation, local NGO Foundation for Cultural, Economic and Social Education (FUPEC) and the national Government (Ministry of Education) were also involved.

The initiative has financed 125 projects: 54 computing centres, 34 infrastructure projects, 20 projects involving the creation or improvement of libraries and study centres, 11 science laboratories and 6 vocational training centres. The projects have directly benefitted more than 78,000 students with the investment previously mentioned (outcome as of December 2010).

A total of 55 migrant organizations in Los Angeles, Washington, Virginia and Maryland have participated. Ownership comes from the commitment demonstrated from the outset by the beneficiary communities and the diaspora providing the funding. Education is very important and corresponds strongly with general development needs, particularly in the home communities of the diaspora. Sustainability is compromised by the focus on infrastructure, requiring investment in maintenance which cannot always be assured. Examples of computer labs rendered obsolete due to a lack of maintenance are common in this type of project.

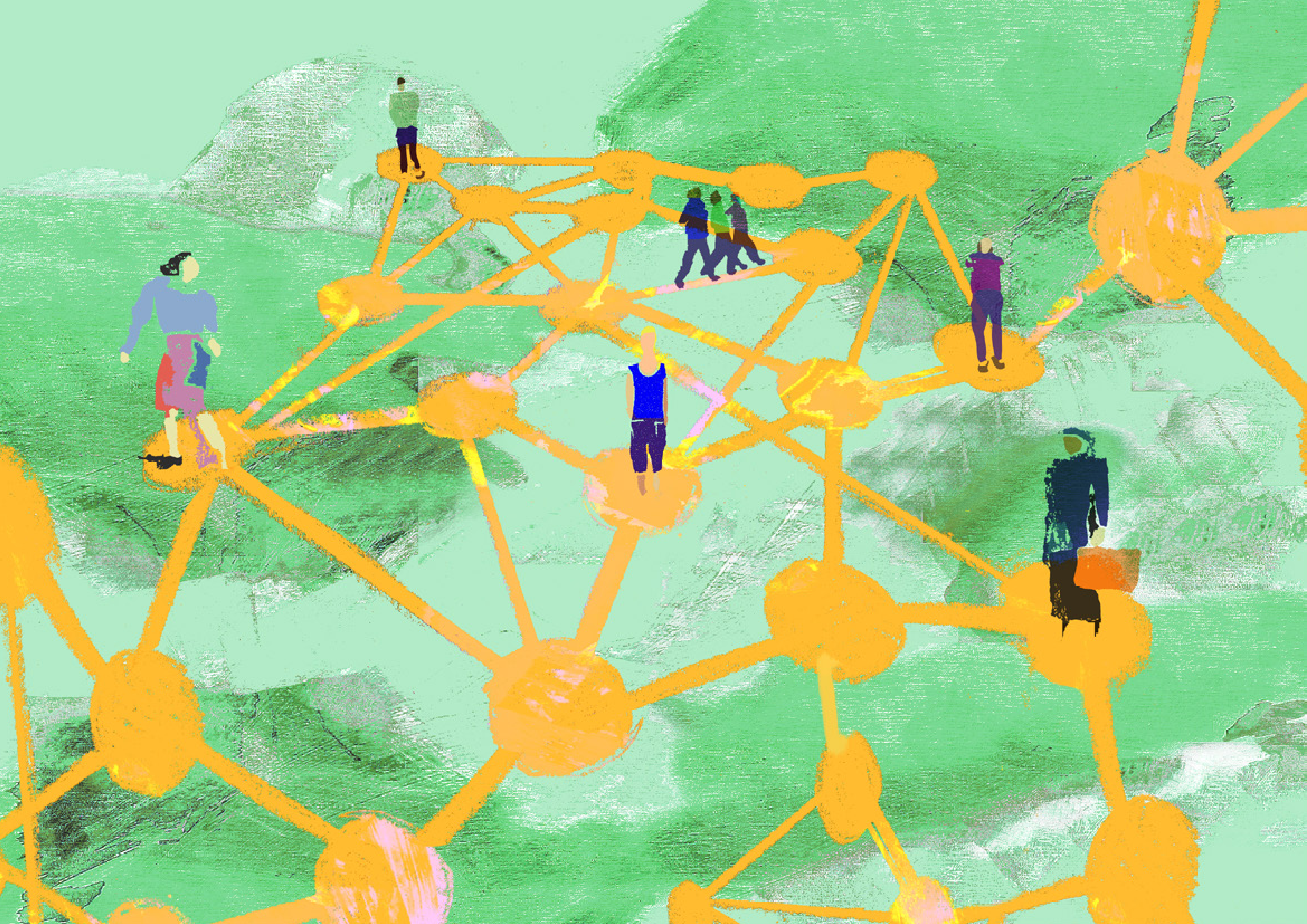
Replicability is viable, as a private investment partner is needed. On the other hand, the philanthropic nature of the project reduces the risk. There is a strong partnership between diaspora communities and local committees in the country of origin.

4.4 Implication

Philanthropy promotes community organization, communication between migrant and home communities and generates a range of projects such as infrastructure in the home communities, training projects and supplying medical and technological equipment for community development. It boosts investment in social programmes and ensures the consolidation of programmes developed through public–private philanthropy partnerships. Projects increasingly seek initiatives to encourage the participation of new partners, as the 4+1 programme in Mexico has done.[20]

Lastly, migrant philanthropy can promote training and technical assistance programmes for entrepreneurs in their countries of origin through collective remittances. This training helps build human capital in home communities and boosts local development.

[20] In which the Mexican federal, state and municipal governments, migrants' groups and Western Union all participate.



III. FORMING PARTNERSHIPS

The importance of the concept of partnerships in strengthening remittances work lies in their capacity to act as a catalyst for development initiatives. When partnerships are established, it is easier for projects to succeed because investment volumes increase, along with collaboration and auditing during implementation, and accounting improves. It is also possible to create new opportunities and maximize their reach thanks to a partnership's ability to create synergies and take advantage of partners' knowledge and resources.

However, the formation of partnerships is an area that is often overlooked, partly through a lack of theoretical context and partly because it is sometimes considered a "soft skill"[21], which occurs naturally and cannot be learned. This premise is incorrect because, as with other "soft" aspects of project implementation, partnerships can be managed and strengthened.

This section presents eight attributes which define or determine the success of a partnership. The SEXI methodology will again be used to present them. Each of the aspects studied will be explained with examples for their application in the field under the structure a) statement, b) explanation, c) example and d) implication.

Defining partnerships and their components facilitates familiarization with them. Each concept is explained with the aim of equipping the reader with the necessary tools to implement each concept in projects. The examples help to visualize the practical implementation of partnerships, while the implication helps to understand the benefits that implementing partnership-based work and strengthening partnerships brings for development.

III.1 PARTNERSHIPS

A partnership is a contract, tacit and/or explicit, between joint partners working on a project. Beyond the legal reach, it refers to the way partners participate in, contribute to and work together as a team on a project.

This is how partnerships act as a catalyst for development, as they create synergies between partners which contribute to the development and success of the project, making more resources available through joint working.

It is important to clarify that a partnership, in contrast to the usual practice, is not formed between the coordinating organization and the other participants in a bipartisan fashion. A partnership includes all project partners.

In all project activities, the partnership works as a whole and involves all interested parties in the project. It is very important to keep this in mind when working to strengthen partnerships and to establish an understanding of the concepts presented below.

A partnership can include organizations responsible for monitoring, tendering and implementation, but its democratization and sense of collective ownership are key to its success as a development tool.

These concepts are interrelated. When working to strengthen partnerships, it is important to ensure that all aspects have been included.

[21] Soft skills are personal attributes which facilitate personal interaction and implementation outcomes. They are the opposite of "hard" skills, which involve the ability to perform technical or professional tasks.

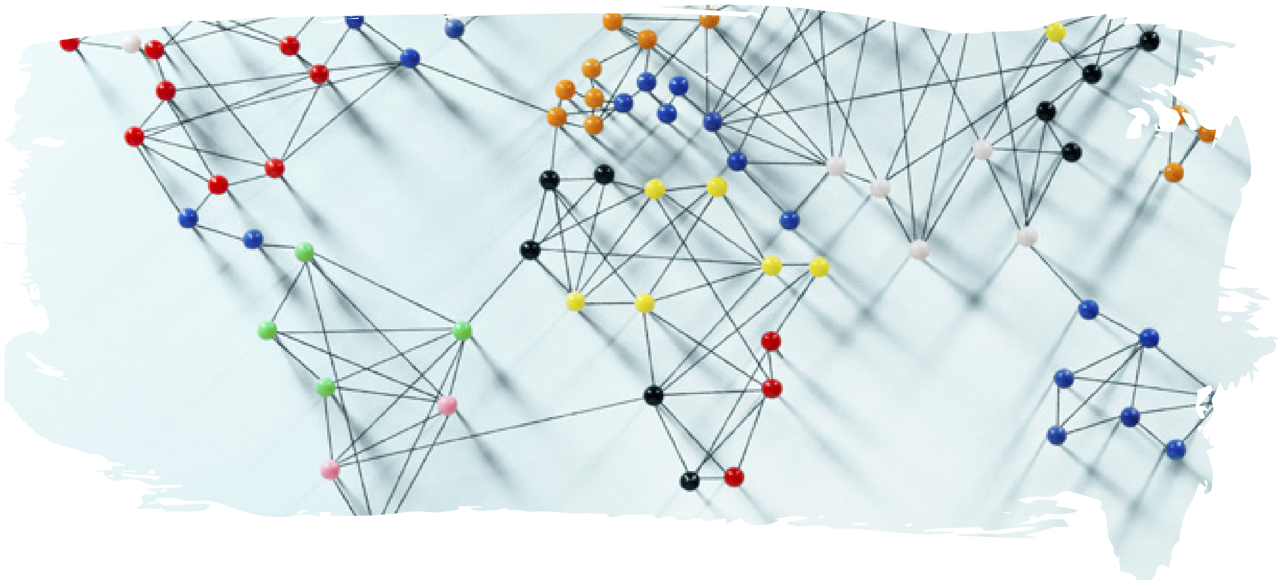
III.2 STEPS IN IMPLEMENTING PARTNERSHIPS

The implementation of a partnership consists of three steps which also guide the logic for promoting the establishment of the partnership. They are:

- Step 1: Building trust, establishing goals and communication;
- Step 2: Cost evaluation of joint work, evaluation of durability and risks;
- Step 3: Implementation of a partnership with defined resources, a work plan and a timescale, and a group of performance and outcome indicators.

Table 17: Steps for partnership-based working and necessary criteria to build trust

Step 1	Step 2	Step 3
Work centres on: • Promoting symmetry • Structuring expected outcomes, goals and objectives	**Work centres on:** • Risk analysis and management • Establishing costs • Establishing communication mechanisms	**Work centres on:** • Assigning and implementing resources • Distributing information
Outcome: a clear work plan which includes partnership-based working as a tool		



III.3 KEY ASPECTS FOR BUILDING PARTNERSHIPS

To build partnerships and undertake partnership-based working, the following eight aspects must be considered:

1. Symmetry
2. Goals and objectives
3. Information
4. Communication
5. Expected outcomes
6. Risks
7. Resources
8. Costs and budgets

These aspects will be presented using the SEXI methodology.[22]

[22] To make it easier to follow the methodology, in each section the methodology components will be highlighted (statement, explanation, example and implication).

1. Symmetry

Symmetry is defined (**statement**) as the relationship between partners. This can be a totally vertical relationship, where one partner makes the decisions and takes responsibility for the risks and activities, or a horizontal relationship, where partners share decisions and risks, and contribute resources for implementation. The same relationships can be seen in an office with a boss in charge of decisions, risks and implementation, or one which employs teamwork.

Horizontal relationships are preferable for promoting development, because the project will be strengthened by the contributions and resources of the partners. Within a partnership, partners can have different responsibilities, but the central pillar is that at a minimum, the aspects mentioned above should be shared.

Symmetry is **explained** as a condition which requires proportionality and equal distribution of commitments and risks among the partners in the partnership. Proportionality refers to the fact that while the degree of participation may vary (some participants may be able to contribute more responsibility, resources or experience in certain areas), all partners should display the same commitment to their responsibilities.

There needs to be an individual commitment to the goals and obligations laid out, as well as participation in the activities committed to. To achieve symmetry, each participant must establish which resources they are committing to the partnership, with complete transparency, and take on a symmetrical role in relation to their own responsibilities and those of the partnership as a whole. The principle is that “we are all responsible for reaching the project’s objectives, even though we all have different commitments”.

Ideally, a contractual agreement should be signed, setting out the responsibilities, obligations and activities to which the participants have made individual and joint commitments.

Symmetry forms the basis of accountability between partners and when it is successful (**implication**) a feeling of ownership and commitment is observed, along with individual clarity of the importance of contributing resources and commitment to the resources contributed by others. It facilitates the active participation of all the parties, attracting more resources to the project and achieving its goals.

An **example** of a partnership with the desired symmetry is Financiera El Comercio’s “Bringing Unbanked Remittance Recipients in Paraguay into the Formal Financial System” project, implemented with support from the IDB/MIF and focused on remittances services in rural areas of Paraguay.

The project’s main achievement in terms of symmetry was its diaspora outreach work, involving the survey and the subsequent creation of products designed specifically for remittances senders and recipients. The surveys were carried out in three countries and involved a widely dispersed group of people, which was a challenging task. The solution was the use of the surveys and the specially designed products.

The project employed surveys and other similar tools in the planning stages, so as to include the opinions and wishes of the parties involved. This is an excellent practice for involving their interests and for promoting symmetry even among large and undifferentiated populations with whom it is sometimes difficult to establish channels of communication. The outcome was the creation of products which interested both the diaspora and receivers of remittances.

2. Goals and objectives

Goals and objectives define (**statement**) the general and specific outcomes sought by the partnership and ultimately by the project itself. It is essential to clearly define the goals and objectives and these must be acceptable to the other partnership members. They must respond to what the project or programme implementation is seeking to address and they must be able to be translated in a way that makes it easy to determine when they have been met (success criteria).

An **explanation** of the goals and objectives should take into account that groups working in the same thematic area may have differing opinions on the specific goals and objectives they are seeking to achieve, as well as on how to reach a solution to the problem. For example, in the case of fighting poverty in different contexts, some people think the solution is to be found in macroeconomic factors, others in social support, State growth or support for microenterprises. This does not mean that common goals and objectives cannot be agreed for specific projects.

The most important element is to have **clear joint goals**. This consists of a decision-making and awareness-building exercise regarding the goals to be adopted and achieved. This process must be transparent, involving political decisions about the commitments to be made, and working together towards the defined objectives.

An individual exercise is necessary regarding participants' own goals and how these fit in with the project's common goals. This is a very important factor for success, and requires a distinction to be made between the desire to do something and the development needs which will ideally be addressed by the project. At this stage it is very useful to have technical support to provide the partners with the necessary capabilities to identify issues which relate to partners' interests and to reach an explicit agreement on the project's goals and objectives. Clear goals form the basis of the joint work agenda.

Clear goals and objectives provide transparency for the partnership and consequently strengthen a sense of commitment to them. This impacts (**implication**) on the allocation of resources. The goals and objectives serve to measure the outcomes used for accountability, thus systematizing their achievement.

The Financial Education project implemented by DMA in Tajikistan is an excellent **example** of goals and objectives thought through in relation to development impact and not just the fulfilment of operational indicators. In particular, the interrelationship between the objectives and expected outcomes strengthened the commitment to continuing the partnership once the project concluded.

The project employed very specific numerical goals: during the 10-month implementation phase, 20,000 people were to receive assistance and between 5 and 15% of them were to open a savings account. The partner banks promoted the opening of accounts and this enabled the measurement of the amounts being saved in them.

It is therefore clear that the goals and objectives established in the planning stages are very important, especially when they integrate operational goals and development impacts.

3. Information

Information consists of (**statement**) the combination of data and facts emanating from the planning and implementation stages. This information should be shared with partnership members. Access to and availability of information enables partners to make better decisions and consider a greater number of relevant aspects.

Making partners aware that they can access information contributes to building trust between them. It can be useful to establish prior agreements regarding the information necessary or important for each partner to have.

A partnership has appropriate information mechanisms if it provides knowledge, data and facts which can be used in the administration and visibility of the project and the partnership.

On the topic of information, the 3x1 project, jointly implemented by the diaspora and three levels of government in Mexico, presents excellent **examples** in information management, including leveraging technology. Furthermore, as a project with a partnership which includes a number of sectors and has very specific characteristics (diaspora, community, different government bodies), it also exemplifies how transparent, accessible information strengthens the partnership between different parties.

The initiative has an online tool which can be accessed by any interested party and which contains general and specific information about the programme: http://www.3x1.sedesol.gob.mx. This provides individuals and partners with a clear picture of progress and impacts, and also includes information on how to participate in the project.

This is an example of how an appropriately equipped technological tool can act as a central point for networking and information exchange. The inclusion of a calendar listing the meetings of various groups by location allows participants to stay up to date on the programme and its progress. Furthermore, the project reports lend the programme transparency.

4. Communication

A partnership requires lines of communication between partners to ensure they stay informed and are in agreement about the progress of the partnership and the project. This communication needs to include all the partners. It may, however, be necessary to differentiate the information which is relevant to each partner. The main criteria in differentiating the information to share should be its relevance and the role of each partner.

Formalizing communication consists of presenting protocols for the exchange of ideas, information, contact and decisions. Through the establishment of channels for these purposes, communication constitutes a bridge for information, consultation and decisions. This bridge can also provide a space for sharing lessons and successes, and for building trust through a formal culture of transparency.

Possible forms of communication include meetings and periodic reports, as well as reviews of the latter. The use of platforms is an option which facilitates access to information. Designating official spokespersons can also be a good practice, especially for communication with external partners.

Communication which has a positive impact (**implication**) creates opportunities for synergies, drives participation and avoids conflicts and misunderstanding. Communication must be planned specifically for the project and defined with a clear agenda and rules of procedure. This is not limited to accountability to funding bodies. If desired, and taking into account the characteristics of the project, a communications plan can be designed for the partners, as well as for external partners and the media.

For **example**, zafen.org in Haiti is a fundraising project which mainly provides loans but also has philanthropic aims. The project functions via a fundraising website which also brings together data to promote communication and the formation of partnerships with the diaspora.

Among the tools which contribute to these aims are the counters: continuously updated screens which show the cumulative funding total which has been achieved, both by the project and overall.

5. Expected outcomes

Expected outcomes (**statement**) consist of identifying goals to be achieved based on the objectives and activities proposed. These results can either be operational or impact-oriented. The expectations of each partner or the importance they assign to the expected outcomes may vary from one partner to another. For this reason, it is very important to share the expectations and priorities of each of the partners, so as to avoid decisions which may threaten the achievement of outcomes which are important to one partner and which could consequently put their participation in doubt. For example, one interested party may disregard a process which is not a priority for them, but which is of great importance to another party, if they are not aware of the interests of the second party. This aspect is frequently ignored when working in a team and it is advisable to consider it right from the project planning stages.

Expected outcomes (**explanation**) should correspond to verifiable measurements and indicators which evaluate the achievement of the proposed outcomes. These outcomes must relate not only to the operational outcomes, but also to the development impact outcomes. It is useful to consider in the planning stages the evaluation framework and its corresponding indicators (Ownership, Relevance, Sustainability and Replicability), as well as the organization and sharing of good practices.

It is very important to clarify how outcomes will be measured and, in particular, the factors the partnership considers necessary for the success of the project. This allows an agreement to be reached on how to verify success and to evaluate whether or not it has been achieved. As with the goals and objectives, this is both an individual and group exercise.

When all partners are clear about the expected outcomes (**implication**), the partnership has a working goal. This facilitates appropriate decision-making and serves as a reference point in disagreements. Decisions about expected outcomes are made through a political process, but these must translate into operational terms, specifically goals, objectives and indicators. Taking expected outcomes into account from the planning stages facilitates their incorporation into formal planning and involves partners and their resources more closely, ultimately helping to achieve those outcomes.

An **example** is the “Strengthening Financial and Family Remittances Services for Low-Income Populations” project, implemented by the El Salvador Federation of Savings and Credit Cooperatives (FEDECACES) with support from the IDB/MIF. The project’s objective was to strengthen financial and family remittances services, as well as to establish appropriate regulations, modernize tools and systems, and provide training.

The project currently manages 467,000 transactions annually (up from around 300 annually prior to project implementation) and attracts 4% of remittances, which constitute 18% of El Salvador’s GDP. It is possible to demonstrate this type of result thanks to the clarity of the planning of expected outcomes and success indicators. In this case, the establishment of baselines (measurements taken prior to the start of the project against which changes which occur during implementation can be measured) allows success to be measured. The growth results being sought are clear, making it easy to establish whether the project has been successful.

6. Risks

Risks (**statement**) are situations which could threaten the partial or total implementation of the project. The identification of these, along with measures to mitigate or eliminate them, is key to sustainability. This process should not be limited to the planning stage of the project, but should be a continuous practice which responds to situations which may occur during implementation.

These risks include (**explanation**) changes in legislation, natural disasters, loss of access to resources and unexpected situations in general. Problems arising during implementation is both common and to be expected. Many of these can be foreseen by experts in the field or in project implementation (experts in the thematic area or the community where the project is being implemented, for example). Detecting risks is usually made easier by the participation of a range of partners who can provide different points of view and detect different risks. As such, it is a process carried out by the partnership as a whole.

A project which takes risks into account can respond better to them. This can have a significant impact (**implication**) if the partnership works to manage them. A better response to risks means that threats to the project, and in many cases to its very survival, can be eliminated, or at least limited. Risk mapping should include risks inherent in the partnership, which include, at a minimum, its stability and its capacity to be maintained. In operational terms, adequate risk management can lead to decisions which can strengthen sustainability if they are made in time.

Two **examples** here are AACE Foods for operational risks, and CONFAMA for a risk which jeopardized the entire project and which was resolved thanks to a partnership.

With regard to aspects relating to the capacity to respond to operational risks in project implementation, an excellent example is AACE Foods, a productive project supported by the African Diaspora Marketplace (a programme funded by USAID which supports investment initiatives in Africa, in conjunction with the diaspora). During the project's implementation a series of situations emerged. It was possible to manage these partly because of an open and willing partnership between ADM, AACE Foods and other parties, which was able to act, supporting and adapting the operating terms in such a way that it could respond to these situations.

The risks included a sharp rise in the cost of supplies (particularly sugar), which meant that the business plan had to resort to products planned for the second phase, problems with theft, and difficulty in obtaining permits for the products. These unforeseen circumstances were resolved through improved projections and better security measures.

The partnership provided clear and transparent information. It was aware of and participated in the solutions, leading to the success of the project.

A second notable example is CONFAMA, a project to provide housing credit options in Colombia through the development of financial products linked to remittances. This partnership was able to manage a big risk which made implementation of the planned project impossible.

CONFAMA came up against legislation which prevented it from participating in the remittances-payment market, rendering implementation of the project impossible. Steps were taken to enable BANCOLOMBIA, a bank with the legal authority to participate in the remittances market, to join the project in a public–private partnership. This "rescued" the implementation of the project when it was faced with the risk of not being able to continue due to the legal framework.

7. Resources

Resources are defined (**statement**) as any economic, human, technological or other content put at the disposal of the project and the partnership.

The implementation of a partnership must have its own resources. Communication, building trust, measuring risks and responding to any risks which are identified or which arise must all be considered part of the objectives of the project itself, and the project must have access to clear resources for its implementation.

Partners must commit to the partnership's goals and in particular must contribute resources jointly in order to achieve success (**explanation**). It is important to highlight that the contribution of resources need not be symmetrical, but there must be a commitment to the resources promised. It is advisable that all parties should contribute some kind of resource as this increases commitment and stimulates active participation, as well as strengthening the partnership as a joint working group.

The planning of resources requires a correlation between the means to carry out project activities and the resources of the partners. The partners must be able to identify their capabilities in terms of the goals and allocate the activities to their satisfaction, based on cost–benefit measurements.

It is also necessary to organize the project according to a timescale which ensures the achievement of the agreed objective and an adequate allocation of resources (in time and quantity).

A project with appropriate commitment and management of resources can make the most effective and efficient use of them. This is where the impact of appropriate management of resources can most clearly be seen (**implication**).

A partnership is also strengthened by clarity regarding the contributions and commitments of its members, as well as by the sense of joint effort that this clarity brings. Transparency is a key factor for success.

The 4+1 project, which leverages the 3x1 programme previously discussed, adds a private partner – Western Union – to the partnership. It is an excellent **example** of appropriate management of partnership resources. All of the partners have committed resources to the development of projects. Partners have a sense of ownership of the projects as a result of the certainty provided by the symmetry of investment of resources. Among the clearest indicators of the allocation of resources are the testimonials which indicate how the partnership shares information about the opportunities and resources available to manage or make the most of unplanned situations which arise during the project.

8. Costs and budgets

Costs are defined (**statement**) as the budget which must be allocated and procured within the project for the partnership to operate.

The cost of forming a project partnership consists of a monetary calculation (**explanation**) of the investment members must consider making in order to form the partnership. This calculation is influenced by material circumstances and the realities of creating cooperative partnerships. These considerations involve evaluating costs such as meetings, communications, information systems and general resources necessary to implement the different variables mentioned. They may also include specific budgets for activities for strengthening relationships within the partnership (workshops, training and so on). These costs are part of the project costs and should be clearly allocated.

The preparation of the budget and the allocation of financial resources is a requisite component of partnership-based working. This demonstrates its impact (**implication**): it enables the partnership to exist, and the best place to see its impact is in the allocation of budget items.

The ADM project is an experience which demonstrates the importance and impact that a clear budget to create, strengthen and work in a partnership can have on development (**example**). Activities funded by the partnership include training workshops, fairs to exhibit diaspora proposals and monitoring meetings.

These activities involve a range groups, not just those who implement the projects but also those who participate in the preliminary stages of selecting the projects.

IV. PROJECT DESIGN

As development leverages remittances (improved transfers and financial education), investment and migrant philanthropy, the international development community is increasing its presence in funding development projects linked to migration. This type of development seeks partnerships with diaspora members, governments, the private sector and civil society, among others.

Designing a project proposal is a mechanism through which to secure funding from the national and international development community (foundations, governments and so on). The presentation of the project idea or proposal must be *concise, clear, consistent and coherent*.

IV.I SIX COMPONENTS TO CONSIDER IN PROJECT DESIGN

The method for designing the presentation or proposal comprises six coordinated basic components relating to the management of the topic to be developed. The components, which must reflect the knowledge and skill of the person(s) preparing the proposal, are as follows:

1. Rationale and objectives;
2. Proposed and expected outcomes;
3. Activities;
4. Risks;
5. Development impact;
6. Budget.

These components are defined and explained below. There are also tables with practical exercises to facilitate comprehension.

1. Rationale and objectives

This section sets out the reasons for wanting to implement a particular project and why the project is being presented as a solution to the identified problem. It also defines the goal or objective to be achieved. The rationale is the project's raison d'être and is generally based around an explanation of the need to solve a problem. In principle, the rationale contains two parts: a description of the problem and the reason why it is important to solve it. For example, if payment systems are inefficient and people receiving remittances have difficulty getting their money because they have to travel long distances, the rationale for a proposal to increase competition would be to reduce distances by providing more local payment centres.

The objective is the goal proposed to solve the problem in question. The objective is a solution which is expressed concretely, clearly, concisely and coherently, with a simple, logical argument. Each of the thematic areas at the intersection between remittances and development (modernization of payments, financial inclusion, investment and philanthropy) has different objectives.

Table 18 presents an example of a project narrative exercise. It gives examples of the objectives for the different types of projects to leverage remittances for development. The exercise consists of creating a narrative description for each area. The content and examples found in the previous sections of this manual can be used for this, and it is advisable to complete the exercise with a realistic project example in mind, one that is relevant to its context.

Table 18: Project Narrative Exercise

Category	Modernization of payments	Financial inclusion	Investment	Philanthropy
Objectives	Increase efficiency (reduce costs, widen access, add value)	Increase mobilization of savings	Incentivize and mobilize business investment	Develop social projects to improve conditions in the community
Narrative description				

2. Proposed and expected outcomes

Proposed and expected outcomes should be as specific as possible and should ideally be expressed numerically. This numerical expression should not be confused with mere quantities. For example, the satisfaction of a training group is a qualitative aspect, but it can be expressed numerically (through an evaluation score, for example) and expanded on with comments.

The inclusion of variables which are important to the project participants must not be forgotten, as well as variables associated with the development impact. Examples of expected outcomes include:

- Number of people trained;
- Increase in the number of bank accounts/access to products;
- New jobs created;
- Number of transfers;
- Quality of training;
- Impact of training (how many people increased their savings, began new investments, began productive activities);
- Improvement in the living conditions of beneficiaries;
- Jobs created.

Table 19 shows the activities to be undertaken in each of the four thematic areas of remittances and development work, and their possible outcomes.

Table 19: Exercise on expected outcomes by activity

Activities	Expected outcome
Modernization of payments	
1. Market research 2. Product design 3. Formation of partnerships with businesses 4. Installation of payment platforms	• By the end of the project, XXX monthly transfers are being made; • XXX partnerships formed with remittances transfer providers.
Financial inclusion – financial education	
1. Training of educators 2. Workshops for bank staff 3. Customer assistance 4. Systematization of data 5. Product design	• 10,000 people receive financial education; • 40 bank employees receive assistance and training in personal finance; • etc.
Commercial investment	
1. Business plan 2. Production 3. Value chain insertion 4. Technical assistance: promotion 5. TA: Quality control	• Number of transactions to be carried out, or accounts to be opened, or financial products to be acquired (total operations or monetary total); • Number of customers to be reached according to desired returns, mechanisms for doing so.
Social philanthropy	
1. Partnership 2. Social or commercial organization 3. Acquisition of materials 4. Construction or implementation	• Investment to be achieved, beneficiaries, types of benefit and social impact of these.

3. Activities

Activities are what bring a project's objectives to life. To implement a project, the means by which the objective will be achieved are specified through the execution of activities and the outcomes these produce. In other words, the objective is achieved through specific tasks and activities which are linked in a practical, concrete way to outcomes and which attain the established goal.

It is important to bear in mind that the activities depend on the tools to hand. That is to say, the activities are designed systematically in relation to the elements (or instruments) needed to achieve each objective. Each idea, objective and outcome involves different activities of varying types: technical assistance, communication, funding, partnerships, regulation or social protection. The table shows the different activities that can be carried out to attain the objective in accordance with the number of instruments available for development work.

The instruments can include various activities and in some cases can be combined. For example, for regulation, activities associated with technical assistance can also be made use of. Table 20 presents examples of instruments for project implementation and activities which are often utilized to apply them in the field.

It is always important to consider whether the proposed activities and tasks are appropriate to the achievement of the objective. The activities also

Table 20: Examples of instruments for project implementation and corresponding activities

Project development instrument	Activities
Technical assistance	Research
	Technical training
	Evaluation
	Product development
Communication and dissemination	Workshops
	Visits
	Meetings and conferences
Funding facility	Loans
	Donations
	Funding competitions
Partnerships	Cooperation agreements between governments, the diaspora and other institutions or organizations
Regulation	Promotion or design of instruments for legal reform
Social protection	Rights organization, monitoring and enforcement
Education	Technical training
	Knowledge development

serve as a litmus test as to whether the objective is realistic and achievable, and often lead to the objective being reformulated.

Table 21 presents an exercise for suggesting activities for each thematic or work area in leverage for development. When completing the information, the function of each role or proposed activity in relation to the objectives presented in the previous section should be kept in mind. The first example has been completed, while the other sections pose questions which may be useful for completing the activity descriptions.

Table 21: Exercise on expected outcomes by activity

	Narrative description
Modernization of payments	**This activity will consist of…**
1. Market research	Conducting two studies, a quantitative one on market participation by different remittances payment institutions, the types of services offered and their payment networks, and a second one involving focus groups and a survey of a sample of remittances recipients regarding how they prefer to receive transfers from their families.
2. Product design	What products are required? What steps are required to design a product? Bear in mind the input required from other activities.
3. Formation of partnerships with businesses	What partnerships need to be formed? With whom? Will they be documented? How: agreements, contracts, minutes?
4. Installation of payment platforms	What are the requirements in terms of software, hardware and professionals? How will they be integrated with any pre-existing platforms?
Financial inclusion – financial education	
1. Training of educators	Define the audience, content and frequency of training sessions. It can also be relevant to establish who is responsible for facilitating sessions and inviting participants, as well as detailing any particular materials which are required.
2. Workshops for bank staff	As above.
3. Customer assistance	How will assistance be provided? What information will the assistance include? How will customers be reached?
4. Systematization of data	What qualitative and quantitative data is it important to gather for systematizing the results? Which data are relevant to the parties? How many reports should be produced: just one, or different ones for different audiences? Who will be in charge of gathering, analysing and systematizing the data?
5. Product design	What products are required? What steps are required to design a product? Bear in mind the input required from other activities.
Commercial investment	
1. Business plan	An ideal business plan should take into account variables such as the financial balance (at what point and with what volume of transactions or sales is profitability reached?), bearing in mind prices, transactions or other elements. A number of tools are available to do this. Remember to experiment with the different variables (investment, profit margins, losses, price, volume) to understand in detail the goals being sought.
2. Production	Production mechanisms should take into account the necessary inputs and their cost, as well as the characteristics which need to be dealt with to achieve the desired product.
3. Value chain insertion	How will the product be linked to its value chain, both in obtaining the necessary quality and quantity of basic materials and in placing the product at points of sale for customers?
4. Technical assistance: promotion	What technical assistance is required? This varies greatly depending on the product: for example, a food product will require studies on nutrition, safety and health, while a technological product will need to be assessed for compatibility with the platforms used by potential customers. Will the product users also require technical assistance?
5. AT: Quality control	What qualities does the product need so that it can be marketed (both to comply with legislation and to be accepted by future customers)? What degree of complaints is expected?

Table 21: Exercise on expected outcomes by activity

	Narrative description
Social philanthropy	
1. Partnership	What partnerships need to be formed? With whom? Will they be documented? How: agreements, contracts, minutes?
2. Social or commercial organization	How will the project operate? Is it necessary to form or to work in agreement with an association, business, foundation or other entity? Which legal or financial entity will be responsible for the activities and operation?
3. Acquisition of materials	What materials are required? How will they be acquired? What rules or checks will be put in place?
4. Construction or implementation	This involves the steps for implementing the project and getting it up and running. It may include construction of infrastructure, training, leverage funds and so on.

4. Risks

The identification of possible risks is a task which should be carried out as exhaustively as possible, bearing in mind that it will never – or rarely – be complete. The following are some of the risks commonly faced by projects:

- Risks arising from lack of experience in the field: this risk can cause delays in implementation, but can be mitigated through adequate training, seeking technical assistance or ensuring close monitoring of obstacles that arise during the process.

- Inappropriate or badly formed partnership: one of the most serious consequences can be the withdrawal of a partner, meaning that the resources needed for implementation are no longer available. Mitigation plans include incorporating the recommendations in this manual and establishing broad partnerships (in terms of number of participants) which can provide or substitute resources.

- Legal limitations: in particular, projects seeking legislation changes should establish contingency plans and alternative actions. It is also important to conduct a study of the legal viability of a project.

As risks can be a potential problem, it is important to try and draw up an exhaustive list which is realistic in planning the measures worth taking. One way to carry out this task is to list the risks according to their potential source, then evaluate the gravity of such a situation and estimate the probability of it occurring.

Measures can then be chosen to prevent these risks, starting with the most serious and most likely to occur, and continuing as far as necessary. The source of risks will vary according to the project and the context. To carry out this exercise, it is advisable to start with the definition and examples of risks, and then list them through brainstorming of possible risks and sources.

Table 22: Risks and possible measures to prevent or mitigate them

Type of risks	Examples	Measures
Operational (risks intrinsic to the implementation of the planned activities)	Delays in programming due to the unavailability of decision makers in companies involved.	Regular meetings agreed at the start of the project; to be confirmed at least one week in advance.
Technical (threatening the quality of outcomes)	Products to be offered to recipient families are not differentiated from existing ones.	Gather and share good practices from previous projects to illustrate to businesses the importance of the products being developed and examples of the features required.
Political (threatening the viability of the project)	Businesses are afraid to get involved because of doubts about the government's attitude to money coming in from abroad.	The project should be shared with government authorities, who will be given the opportunity to provide feedback, and whose involvement will be encouraged.
Legal	A change in legislation which threatens the financial products being provided.	The project should incorporate the removal of legislation pertaining to the topic, including projects which are under discussion or which have been proposed.

5. Development impact

The inclusion of how the proposal will impact development is of particular importance because it highlights the fact that the outcomes have direct effects on the community or society. In this regard, the proposed programme evaluation framework will be the principal input. The framework is made up of seven aspects which encourage and foster the positive impact of the implementation of projects in general, and which can be applied to projects on remittances and development. These aspects are:

- Ownership: participation of beneficiaries and interested parties in decision-making, implementation and control of the project after implementation (operation).
- Correspondence: the project responds to the basic needs of the community; these needs are a development priority.
- Sustainability: project implementation enables development goals to be met; it does not create permanent costs for the beneficiaries; it has a long lifecycle.
- Replicability: the resources necessary for implementation are readily available in other communities; the institutional environment is available in other communities.

- Partnerships: risk is shared between partners; there is a degree of commitment of resources by the different parties; partners trust each other.

- Risks: the proposed investment is realistic (sufficient for the implementation of the project); partners participate in implementation as a whole; there is support and commitment from the government.

- Accountability: diaspora leaders respond to the members of their organizations; organizational structure incorporates checks and balances of operations and decisions.

It is difficult and rarely possible for a project to cover all of these aspects fully, but it is important to incorporate as many as possible and not to exclude those which are key to success.

The impact on development should translate into a real improvement in the living conditions of beneficiaries: better health, education, security, income and so on. This can be measured at individual, family, community or even national level. The following table presents an exercise which involves filling in the possible impacts of a hypothetical project with five expected outcomes.

Table 23: Expected outcomes of project impact

Expected outcome		
	Modernization of payments	**Financial inclusion – financial education**
Result	• 10,000 transfers each month; • 5 partnerships formed with remittances transfer providers.	• 10,000 people receive financial education; • 40 bank employees receive assistance and training in personal finance; • 2,500 have access to banking services.
Impact		
Ownership	How will the project ensure partners take ownership of it? How will their opinions be taken into account when making decisions about activities to be carried out? How does this vary for projects on philanthropy, investment, modernization of payments or financial inclusion and education? What will be the tangible results?	Examples: • Planning workshops involving partners (how many and which ones?); • Instruments to gather opinions relevant to the topic, number of actions implemented as a result of these; • Actions to delegate the subsequent operation of the project to partners.
Correspondence	What is the context of the project? How will development priorities be incorporated into planning and expected outcomes? What can be done to create synergies between the project and the programme response?	Examples: • Adjust indicators in order to compare problems in the general and target populations ("Increase savings of the target population to 10% above the national average"); • For investment projects, the poverty or extreme poverty line may be useful, or any similar indicator for the specific situation being tackled (access to banking services, to technology, to education and so on).
Sustainability	At the end of the project, what will still operate in the community? How will this be ensured?	Examples: • If there are additional costs associated with maintenance (for example, upkeep of infrastructure or to continue training), seek permanent sources for the necessary resources (through agreements with governments, businesses, organizations and so on); • Include the sharing of knowledge and of the process and outcomes of the project.

Expected outcome		
Replicability	Is it possible to expand the project to other communities? How can this be promoted?	Examples: • Carry out good systematization of the partnership process for the implementation of the project; • Systematize and share (in forums, conferences, publications or reports) lessons learned.
Partnerships	In the project implementation partnership, are all the necessary partners represented? How can new partners be included? What is the level of involvement required from third parties outside the partnership?	Examples: • Include activities and actions to maintain and strengthen the partnership; • Undertake a mapping of the partners; • Include informational activities and actions for relevant partners.
Risks	What risks were identified? What activities can be included to minimize these? What actions can be taken during the implementation of the project to ensure vigilance of any new risks which may arise?	Examples: • Include actions and/or activities according to the risks identified. • Include a review of potential new risks on meeting agendas.
Accountability	It is important to examine not only which partners require a commitment to being informed about progress and outcomes, but also which other population groups or organizations may be interested in the information.	Examples: • Participation in local forums on general topics which affect the target population.

Review of coherence in planning

It is very important to ensure that the expected outcomes respond to each of the objectives, and that each objective has corresponding outcomes achieved through activities which ensure their attainment. This review process brings coherence to the planning exercise.

Activities may be reiterated if they help to achieve more than one objective or outcome. It is important to check that the activities are coherent with the objectives and that they incorporate risk management. The outcomes must include an expected impact on development which is connected with achieving the objectives. This can be verified by asking questions such as:

- Do all the objectives have corresponding outcomes?
- Do all the outcomes have a corresponding objective?
- Do all the outcomes have activities which can truly ensure their achievement (if they are carried out as planned)?
- Do all the outcomes have an impact on the objectives and on development?

6. Budget

The budget is the allocation of fixed and variable costs in the project and must correspond to the types of activities to be undertaken. It is important to include all the costs incurred by the implementation, but additional costs should also be borne in mind, such as the administration related to the management of the project.

Budgets should be detailed and can be organized by activities or outputs. It is important to negotiate the flows the project will have (when payments will be made, if they will be associated with products or reports, payment administration and so on) in order to formulate a strategy which facilitates sustainability and compliance with timescales.

A basic budget should include sections such as:

- Materials (for training, offices, publications and so on).
- Equipment: including licences or operating systems for development or acquisition of payment software and so on.
- Training: including facilitators, food, transport and so on.
- Salaries: for full- or part-time staff.
- Administration: fixed costs for office space, telephone services and so on.
- Specific to the project: depending on the objectives, these could include research, surveys, design, marketing campaigns and so on.

It is always important to review and compare the activities and outputs, and analyse the steps and costs associated with these. Budgets vary enormously depending on the type of project, but this list gives an idea of the aspects to include. It is advisable to include an "Other Costs" or "Unexpected Costs" section which allows for the inclusion of expenditure which arises along the way or costs which increase. However, these sections should not exceed three per cent of total expenditure.

To obtain approximate figures, it is advisable to obtain quotes for reference for each item of expenditure.

In the case of productive projects, it is extremely important to be realistic when presenting income. It is advisable to be conservative at this point, and even to budget for different scenarios (low, medium and high income; or conservative, average and ideal income).

It is also relevant to negotiate which budget items a donor is prepared to cover and to highlight the resources to be contributed by whoever implements the project.

In preparing a budget, start with the activities to be carried out and add up the costs, then add other costs, particularly administrative ones, which are relevant to all of the activities. It is important to undertake a logical review of the types of expenditure by activity (materials, food, transport, staff) to include all those which are necessary for the implementation of each activity, as well as to eliminate any duplications.

Table 24: Examples of budget items by activity

Activity	Item	Amount
Administration and general programme operation	Office space rental	
	Office equipment	
	Stationery	
	Accountancy services	
	Receptionist services	
Market research	Printed materials	
	Pollsters	
	Interviewers	
	Facilitators for focus groups	
	Rent of space for focus groups	

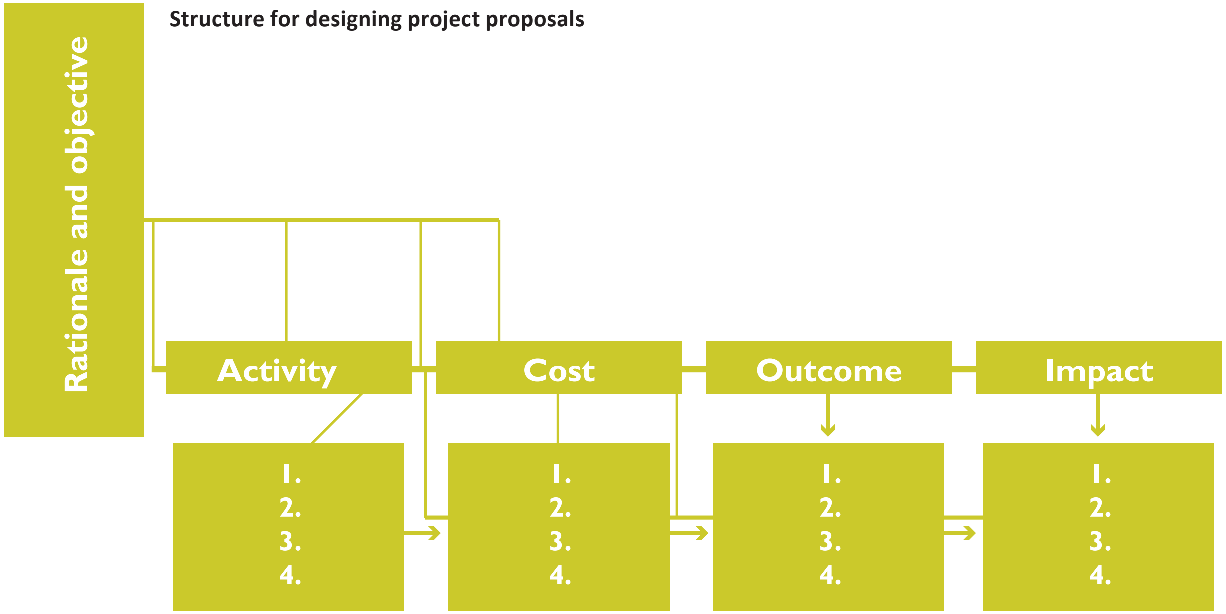
When presenting a budget to a donor, those items contributed by the implementing partner can be removed or separated. Remember to review the partner's policies in this area.

IV.2 ADDITIONAL CONSIDERATIONS

It is very important to be clear that the preparation of a proposal depends fundamentally on a) the empirical and conceptual frameworks which define the thematic area, b) knowledge of models, good practices and good experiences which serve as a mechanism to replicate a particular project, c) experiences and skills in the thematic area, d) the ability to write clear, concise, convincing and coherent material, and e) the coherence between objectives, outcomes and activities. An institution may put forward innovative proposals, but if it has no experience in the proposed field it runs the risk of failing at the implementation or even the proposal stage, as well as promising something it cannot deliver.

Depending on the thematic area, different content needs to be included, with the central element being consistency between the six components united by the thematic area or field of the work. Table 25 shows examples of some elements and considerations for each topic.

Structure for designing project proposals



Source: Author's own design for this document.

Table 25: Examples of planning areas by type of project

	Modernization of payments	Financial Inclusion	Investment	Philanthropy
Rationale and objectives	• Lack of payment points and high cost of sending money; • Increase efficiency (reduce costs, increase access, add value).	• Low mobilization of savings; • Increase mobilization of savings.	• Low investment due to lack of incentives; • Incentivize and mobilize business investment.	• Low level of social development in the community; • Develop social projects.
Activities	• Introduce payment technologies (account-to-account via internet, mobile, ACH); • Form partnerships with payment agents; • Cross-selling.	• Financial education; • Product design; • Marketing; • Market studies.	• Create and formalize small business; • Develop value chains; • Technical training in production and commercialization.	• Support marginalized groups.
Budget and costs	Between USD 200,000 and 500,000.	Between USD 100,000 and 300,000.	Between USD 100,000 and 300,000.	USD 50,000.
Risks	• Lack of experience in remittances market.	• Low differentiation of experiences.	• Redundancy in type of commercial enterprise.	• Little impact on development.
Expected outcomes	• Increase number of transfers to 10,000 in 3 years; • Cross-selling to 30% of customers.	• Assist 10,000 customers in 6 months; • Mobilize savings of 20% of these customers; • Offer 3 new products to remittances recipients; • Marketing to 10,000 customers.	• A microenterprise generates 5 jobs, annual productivity equivalent to 10 minimum-wage jobs; • Formalization of the business.	
Impact	• Facilitate and increase access to high-quality remittance-sending services; • Increase the disposable income of remittances senders; • Add value through the creation of financial history, access to new products and so on for people using remittances services (senders and recipients).	• Increase capital available for investment (at national, family, community level and so on); • Increase access to the formal financial system.	• Increase capital and quality of life of beneficiaries, particularly the poorest; • Create employment and increase quality of employment; • Strengthen the family/local/ national economy, with impacts on development.	• Create social capital; • Finance necessary projects even if not financially sustainable (aid); • Help with response and reconstruction after an emergency.

ANNEXES

HANDBOOK TO DEVELOP PROJECTS ON REMITTANCES

Good practices to maximize the impact of remittances on development

ANNEXES

ANNEX I. PROJECT MAPPING

Handbook to develop projects on remittances
Good practices to maximize the impact of remittances on development

The first stage of the preparation of the "**Handbook to develop projects on remittances: Good practices to maximize the impact of remittances on development"** was the identification and selection of a number of projects focusing on remittances. This was done through a mapping of the projects. This mapping facilitated a review of different development projects funded by international organizations with the aim of working in the varied field of remittances. Among its results, this mapping revealed that the international development community identifies remittances transfers, financial inclusion, investment of migrant capital and migrant philanthropy as the four main areas which intersect with economic development.

The 68 projects were selected based on four criteria:

a) The project is directly related to remittances, investment of migrant capital or diaspora philanthropy;

b) Funding originated in part from the diaspora or organizations linked to the field of remittances;

c) The project had ended or was at least nine months into its implementation (a reasonable time period for evaluation). Projects since 2000 were evaluated, as that was when the international community's funding initiative began;

d) The project includes a development objective.

The full project mapping can be found on the following websites:

http://www.migracion-ue-alc.eu/index.php/en-GB/productive-investment-of-remittances/manual-on-remittances
http://eea.iom.int/index.php/what-we-do/migration-policy-and-research
http://www.fiiapp.org/comunicacion.php

ANNEX II. EVALUATION OF GOOD PRACTICES IN REMITTANCES PROJECTS

Handbook to develop projects on remittances
Good practices to maximize the impact of remittances on development

Of the 68 projects to leverage remittances identified in the mapping process (see Annex I), the 20 most successful ones were evaluated in greater depth. These projects tackle four important areas in the intersection between remittances, diaspora and development: financial inclusion, improvement of transfers, philanthropy and capital investment.

One third of these projects had a successful impact on development. This impact occurs as a result of achieving the proposed objectives and outcomes. Finally, the success of good practices comes in part from the presence of partnerships with the diaspora, and from the level of specialization in and knowledge of the thematic area that the institution brings to the initiative. This last aspect is important because it highlights the lack of success when a project has no experience or specialization in the proposed field. Each of the 20 projects analysed has its own data file with key information about its development impact.

The full "Evaluation of good practices in remittances projects" and the 20 data files can be found on the following websites:

http://www.migracion-ue-alc.eu/index.php/en-GB/productive-investment-of-remittances/manual-on-remittances
http://eea.iom.int/index.php/what-we-do/migration-policy-and-research
http://www.fiiapp.org/comunicacion.php

Sample project data file

Indicators and criteria	Maximum score	Justification
1. Ownership (5 points per area)		
Participation in decision-making		
Participation in implementation		
Control of the project		
2. Correspondence (5 points per area)		
The project meets the community's basic needs		
The needs being met are a development priority		
Implementation in association or coordination with other institutions		
3. Sustainability (5 points per area)		
Meets development goals		
Does not constitute a burden or incur further costs		
Long lifecycle		
4. Replicability (5 points per area)		
Resources are readily available in other communities		
Institutional environment exists in other communities		
5. Partnership (5 points per area)		
Degree of or symmetry in commitment and shared risks		
Degree of compromise in donation of resources		
Degree of trust between partners		
6. Risks (5 points per area)		
Unrealistic evaluation of investment		
Partners do not fully participate in implementation		
Support/commitment from government		
7. Accountability (5 points per area)		
Diaspora leaders respond to organization members		
Organizational structure incorporates checks and balances on operations and decisions		

ANNEX III. SUPPORTING PRESENTATIONS

Handbook to develop projects on remittances
Good practices to maximize the impact of remittances on development

The development of the Handbook to develop projects on remittances mentioned in Annex I was based on the research of a specialist author and a working team, and was also presented at three workshops on "How to incorporate remittances and diaspora involvement in development policies". Input and feedback were received at these workshops, which were attended by representatives of the public sector, private sector and the diaspora from Barbados, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Haiti, Jamaica and the Organisation of Eastern Caribbean States.

The content of the manual was presented at the workshops in more than 60 slides divided according to the chapters in the manual

The supporting presentations can be found in full on the following websites:

http://www.migracion-ue-alc.eu/index.php/en-GB/productive-investment-of-remittances/manual-on-remittances
http://eea.iom.int/index.php/what-we-do/migration-policy-and-research
http://www.fiiapp.org/comunicacion.php

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GLOSSARY

Asset	Assets are all the properties or rights to properties owned by a person or organization (a business, for example) expressed in monetary terms. Examples of assets include savings, property (house, car), investment bonds and so on.
Diaspora	Refers to any people or ethnic population that leave their traditional ethnic homelands, being dispersed throughout other parts of the world (IOM, 2004).
Investment of migrant capital	Refers to the capital that migrants invest in their country of origin. This may be a direct personal investment or one made through family members or third parties, whether people, businesses or other entities. The capital may be invested in fixed assets (a property, for example) or as capital for a business. It can also be invested in debt or in private or government bonds. It involves an economic link with the country of origin and an injection of capital for the recipient country.
Philanthropy	A general term which covers love and disinterested help provided to a group or to humanity as a whole. It relates in particular to donations to "unknown", or at least not close, third parties. In the past few decades, interest in philanthropic projects has grown, not only charity-based but also sustainable projects which foster development. Emergency situations and socio-natural disasters still account for the largest philanthropic investments.
Remittance	"Workers' remittances have generally been understood as the sending of (a percentage of)[23] work income by migrants from a country not their own to a family member in their country of origin. This sending, money order or transfer happens with the aim of attending to certain financial and economic obligations. The starting point for remittances is migration by people responding to the complex reality of the internal labour market, political circumstances and/or emergencies which influence their decision to move with the aim of tackling their household responsibilities." (Orozco, 2006). This economic definition has been developed considerably to harmonize its measurement and the presentation of comparative data within a country's balance of payments. It also helps to explain the social impacts, reference points and causes.
Saving	The percentage of income which is accumulated or put to one side with the intention of being used for spending or investment. Saving allows for longer-term purchases of more expensive goods, or for larger investments, but always involves a delay in order to accumulate a larger sum of money. Savings can be formal (in bank accounts, for example) or informal (kept physically somewhere, or in some places it is common for informal third parties to "look after" it).
Transfers market	The markets where currency is transferred between countries, requiring agreements on exchange rates or conditions which adjust the different values in the different contexts of the countries carrying out the transaction. In reference to sending money or remittances, transfers are the electronic procedures used to send money, which occurs through financial intermediation by transfer providers such as remittances-sending companies, banks or post offices, which make use of electronic software platforms to transfer foreign currency.

[23] Text within brackets is added for clarity in this manual.

SUPPORTING GUIDE

HANDBOOK TO DEVELOP PROJECTS ON REMITTANCES

Good practices to maximize the impact of remittances on development

INTRODUCTION

This guide provides support for using the “**Handbook to develop projects on remittances: Good practices to maximize the impact of remittances on development**”. It is divided into themed sections in the same order as the manual itself. It is advisable to read the manual in its entirety before using this guide.

Each section deals with four aspects: **general information about the topic, message, strategy and supporting material.**

- **Information:** Description of the topic
- **Message:** Suggestions for highlighting relevant points in each section
- **Strategy:** Key points for tackling the topic in each section
- **Supporting material:** Literature to supplement the development and explanation of each topic

I. REMITTANCES, DIASPORA AND DEVELOPMENT: CONCEPTUAL FRAMEWORK

General information: This section aims to establish a basic understanding of some of the economic activities of migrants, such as money transfers (remittances), personal investment and philanthropy for development.

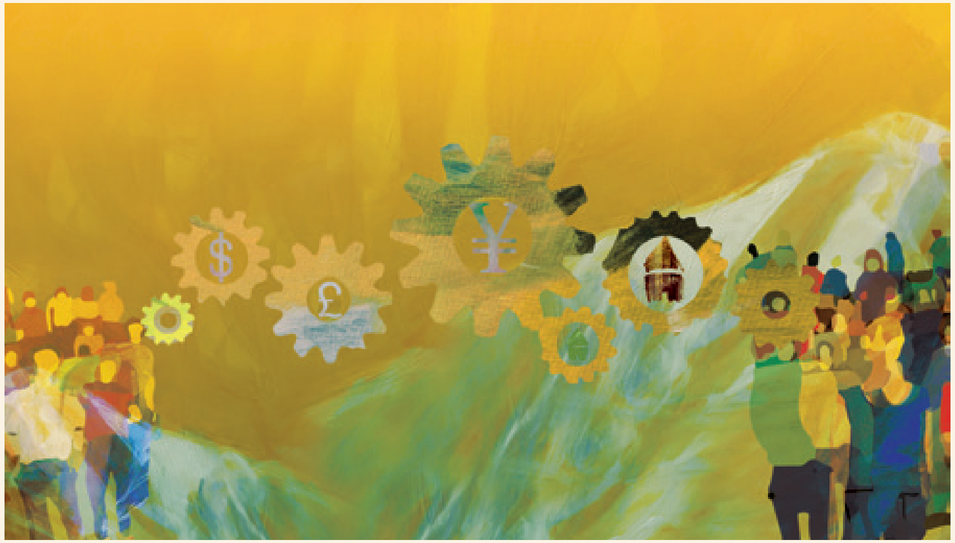
At the end of this section, participants should be able to:

1. Define and explain the relationship between remittances, diaspora and development.
2. Identify the most important links in this relationship.

	Thematic area
I.I	International migration and economic activities of migrants
I.II	Remittances and the link with development: important terms and information
I.II.3	Remittances and gender: women
I.II.4	Remittances and asset creation: saving and investment among recipients
I.II.6	Remittances as part of transnational economic dynamics
I.III	Synthesis of the remittance–development link
	Table 7: Levels and units of analysis of the economic activities of migrants and their families

	Message	Strategy	Supporting material (see annexes, pages 57-60)
	Migrants have helped to integrate their countries into the global economy through their economic links, which impact on development.	Begin the session with two questions: Is the migration phenomenon part of globalization? What economic activities do migrants establish with their countries of origin?	Presentation 1
	Remittances are money transfers made by migrants to their families to cover basic household costs. In national accounts, remittances come under the balance of payments, as unilateral transfers.	Strategies to illustrate remittances include identifying the volume of remittances or defining the number of transfers made, per capita income per household and relation to GDP.	Presentation 1
	Sending money corresponds to the household roles and obligations of men and women. The majority of remittances recipients are women, so their need for empowerment can be maximized with initiatives linked to remittances.	Define the notion of gender and describe its relationship to the roles adopted by migrants.	Presentation 1
	Money transfers increase savings and the capacity for asset creation, that is, they have the effect of creating wealth.	Highlight the importance of savings in society and how this can be illustrated for recipients.	Presentation 1
	Migrants demonstrate their sense of belonging to their country of origin through investment and philanthropy, influencing development at the same time.	Begin the discussion with the questions: Do you know of any cases of investment? Which community associations are you aware of?	Presentation 1 Extra Reading (only available in Spanish): Diásporas y desarrollo: Una aproximación a su estudio
	Synthesize the previous topics using remittances as the unifying theme.	Present the six ideas proposed and discuss them again step by step or point by point.	Presentation 1
	Economic activities have four dimensions which intersect with social levels.	Explain Table 7 on levels and units of analysis.	Presentation 1

II. GOOD PRACTICES IN REMITTANCES WORK



General information: This section presents strategies for identifying best practices in development projects, and in particular offers a description and characterization of the projects which have had the most impact on development in certain key areas of the intersection between remittances and development.

At the end of this section, participants should be able to:

1. Identify actions and good practices in remittances projects which could potentially be included in new projects.
2. Define aspects, practices and actions which boost the positive impact remittances have on development, and translate these into operational terms.
3. Recognize at least four types of initiatives (modernization of transfers, financial inclusion, investment and philanthropy) which foster the positive impact of remittances on development.

Thematic area	
II.	Good practices in remittances work
II.1	Impact on development
II.3.1	Modernization of money transfers
II.3.2	Financial inclusion
II.3.3	Investment of migrant capital
II.3.4	Diaspora philanthropy for development

	Message	Strategy	Supporting material (see annexes, pages 57-60)
	There are several organizations which recognize the importance of remittances as a tool to foster development and which provide support for this type of project.	Present information about implemented projects, categorized by funding bodies, participants and thematic area, using the Evaluation of good practices in remittances projects document, particularly the project mapping section and the categorization, suitability and selection of the projects.	Presentation 2 Presentation annexes
	Measuring development impact enables us to understand the degree to which a project achieves its objectives and has a positive impact on its beneficiaries. It also facilitates critical study of implemented projects in order to learn from them. With this objective in mind, indicators are proposed and applied to a selection of implemented projects.	A practical and theoretical approach should be taken to the seven criteria defined for the evaluation of development potential (Ownership, Correspondence, Sustainability, Replicability, Accountability, Risks and Partnerships – the latter in greater detail). To this end, the SEXI methodology and the Evaluation of good practices in remittances projects document will be presented.	Evaluation of good practices in remittances projects Presentation 2
	Projects which affect modernization of transfers, particularly those regarding access to services and reduction of transfer costs, usually have a positive impact on development. There are a number of examples of this type of project as they are among the most common. It is important to differentiate between achieving project objectives (according to the planning of each one) and successful impact on development.	Begin with a presentation of the four categories into which projects have been grouped for analysis purposes (modernization of money transfers, financial inclusion, investment of migrant capital and diaspora philanthropy for development). Share examples of these types of projects, particularly those practices which boost impact on development, so that these can be incorporated into the planning of new projects.	Evaluation of good practices in remittances projects Presentation 2
	The development impact of projects to increase financial inclusion lies in the direct influence of training and education (better information to make better decisions according to beneficiaries' circumstances). They can also promote the creation of and access to financial products and tools specifically aimed at beneficiaries (*improvements in security and formality of transfers, savings, insurance, loans and so on*). The financial inclusion component of social inclusion has a significant impact on development. In addition, this type of project facilitates financial sustainability in a more sustainable way, independent from continuous injections of capital (compared to philanthropic projects).	Share examples of these types of projects, particularly those practices which boost impact on development, so that these can be incorporated into the planning of new projects.	Evaluation of good practices in remittances projects Presentation 2
	Although not common practice, the investment of migrant capital through the placement of fixed and liquid assets in the country of origin has the potential to produce a significant impact on economies (at a micro and/or macro level, depending on the reach of the project) and development. Practices relevant to this topic usually include boosting capital investment with technical assistance, measuring risks (such as collecting or awarding funds matched to those of the diaspora) and so on.	Share examples of these types of projects, particularly those practices which boost impact on development, so that these can be incorporated into the planning of new projects.	Evaluation of good practices in remittances projects Presentation 2
	The philanthropic efforts of the diaspora are relatively well known. They can be boosted through the organization of associations, of both migrants who collect funds and recipients who invest them in the country of origin. They are sensitive to the inclusion of third parties (government, NGOs or social organizations, development agencies and private entities). By involving a number of partners, philanthropic efforts can leverage their resources and boost their impact on development.	Share examples of these types of projects, particularly those practices which boost impact on development, so that these can be incorporated into the planning of new projects.	Evaluation of good practices in remittances projects Presentation 2

III. FORMING PARTNERSHIPS

General information: The formation of partnerships is a tool which incorporates and strengthens partners with the aim of implementing successful projects. Working in and for partnerships should be analysed and incorporated methodically into project planning and implementation. For this purpose, categories of analysis (components), recommendations and good practices are presented following the SEXI methodology.

At the end of this section, participants should be able to:

1. Recognize the importance of partnerships.
2. Utilize tools to incorporate the seven components of partnership-based working into project planning and implementation.

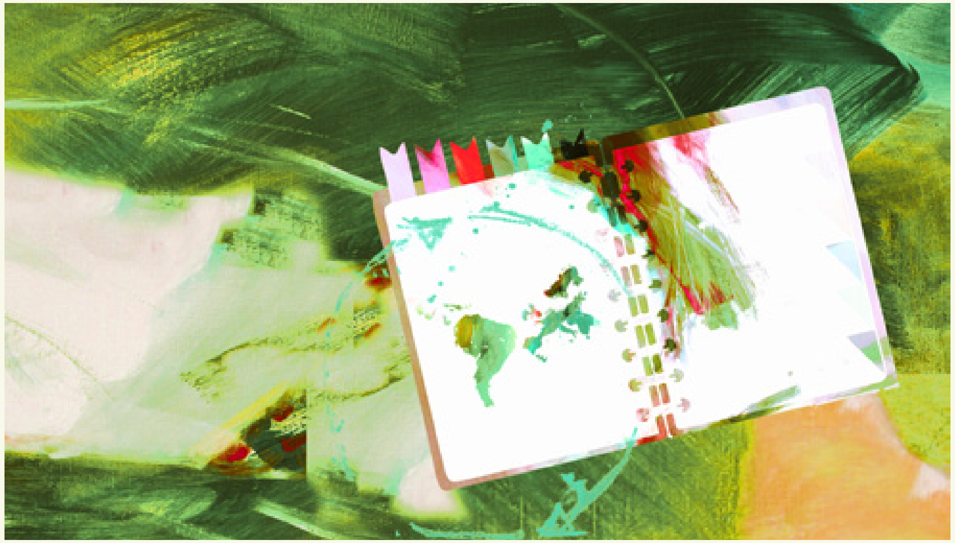
Thematic area	
III.	Forming partnerships
III.2	Steps in implementing partnerships
III.3	Key aspects for building partnerships
	1. Symmetry
	2. Goals and objectives
	3. Information

Message	Strategy	Supporting material (see annexes, pages 57-60)
Partnership-based working is a catalyst for development: it helps bring together resources, reduce risks and share tasks and responsibilities. Therefore, the partnership should be managed and strengthened through specific actions during project planning and implementation.	Create awareness of the importance of the partnership and implement it through examples of good practices such as including its formation and strengthening as an integral part of implementing projects to leverage remittances, investment and philanthropy for development.	Presentation 3
The implementation of a partnership can be subdivided into three specific stages, which help in implementing actions during the project. For each step, there are key components to keep in mind and others which should be worked on specifically.	Present the various steps and their specific components, help to plan partnership-based working. The topic should not be approached simply as theoretical content; rather, after the training people should possess specific tools to implement their knowledge. As such, understanding each component and the examples of good practices is key.	Presentation 3 See document (only available in Spanish): En busca de opciones y soluciones: remesas familiares, alianzas con la diáspora y oportunidades de desarrollo en África, Section 3.3. Available at: http://www.migracion-ue-alc.eu/documents/conf_y_eventos/2013/Taller Chile/En busca de opciones y soluciones_M.Orozco.pdf
Partnership-based working should be presented with eight components. Studying and establishing project mechanisms to ensure these eight components strengthens the partnership and the projects' impact on development.	Present partnership-based working by components, thus enabling the inclusion of this important aspect in projects. This should be done in a transparent, sensible manner.	Presentation 3 See document (only available in Spanish): En busca de opciones y soluciones: remesas familiares, alianzas con la diáspora y oportunidades de desarrollo en África, Sections 3.1 and 3.2. Available at: http://www.migracion-ue-alc.eu/documents/conf_y_eventos/2013/Taller Chile/En busca de opciones y soluciones_M.Orozco.pdf
The first component is symmetry. It should be made clear that symmetry refers to proportionality (the degree of participation of the partners in a partnership to implement a project). The partnership will be stronger when there is greater participation in the responsibilities, resources and efforts in general.	Each participant must establish the resources they can commit to the partnership, with complete transparency, and assume a symmetrical role in terms of their own responsibilities and those of the partnership as a whole.	Presentation 3
The importance of agreed goals and objectives should be highlighted. These must respond to the interests of the partnership, and be clearly organized. This ensures a commitment to achieving them.	Keep in mind that goals and objectives must be concrete, concise and clear. Avoid including several aims in one objective. Ensure a maximum of one or two objectives.	Presentation 3 See document (only available in Spanish): En busca de opciones y soluciones: remesas familiares, alianzas con la diáspora y oportunidades de desarrollo en África, Section 3.2. Available at: http://www.migracion-ue-alc.eu/documents/conf_y_eventos/2013/Taller Chile/En busca de opciones y soluciones_M.Orozco.pdf For the topic of partnerships in general, additional material can found in the Annexes.
Available information facilitates decision-making. The type and format of information to be shared may vary but this should be agreed upon. Information belongs to or is assimilated by one partner, and where relevant should be shared with the partnership as a whole.	Document the problem and its objectives with analytical and statistical information which supports each proposal.	

Thematic area
4. Communication
5. Expected outcomes
6. Risks and 7. Resources
8. Costs and budgets

	Message	Strategy	Supporting material (see annexes, pages 57-60)
	Communication methods which are agreed upon and formalized not only facilitate transparency, but also ensure that partners possess the necessary information for decision-making, adaptation of plans for achieving objectives, making the most of opportunities and risk management and so on.	Identify the various information channels which exist. Determine the message to be developed.	Presentation 3 See document (only available in Spanish): En busca de opciones y soluciones: remesas familiares, alianzas con la diáspora y oportunidades de desarrollo en África, Section 3.2. Available at: http://www.migracion-ue-alc.eu/documents/conf_y_eventos/2013/Taller Chile/En busca de opciones y soluciones_M.Orozco.pdf For the topic of partnerships in general, additional material can be found in the Annexes.
	The expected outcomes and how they will be verified should be agreed in such a way that all the partners, and the partnership as a whole, are satisfied with them.	Always compare consistency in the three-way relationship between objective, activity and outcome.	
	Early prevention of risks helps avoid or at least mitigate them. Positive risk management is strengthened by a strong partnership which, thanks to its commitment, is prepared to allocate additional resources to the project if necessary (including material resources, knowledge, work, social capital and so on).		
	The resources a partnership and its components can provide may vary. It is essential to allocate specific resources to the planning, strengthening and operation of the partnership.		

IV. PROJECT DESIGN



General information: The project design guide illustrates the integration of concepts and best practices into a partnership.

At the end of this section, participants should be able to:

1. Develop a basic template for a project proposal
2. Identify objectives and articulate them in terms of an activity, its costs and outcomes.

	Thematic area
IV.1	Six components to consider in project design
	1. Rationale and objectives
	2. Proposed and expected outcomes
	3. Activities
	4. Risks
	5. Development impact
	6. Budget
IV.2	Additional considerations

	Message	Strategy	Supporting material (see annexes, pages 57-60)
	A project proposal consists of the reasoned articulation of: a) how the project proposes to achieve the objective b) activities to be undertaken c) expected outcomes d) the resources required to carry out such an exercise.	Ask: What experience do you have in designing proposals?	Presentation 4
	The starting point of a proposal is to base it on the relationship between a problem, its solution and the solution's raison d'être.	Put forward the range of problems or topics relating to the remittances–development relationship.	Presentation 4
	For each objective and activity there are outcomes which create the conditions for change proposed by the project.	Define what constitutes an outcome and review its characteristics.	
	An activity is the functional form of concretizing an objective.	Identify and discuss possible solutions to reach the objectives and draw them up regarding their approach, characteristics and attributes.	
	In every project there are situations which are beyond the control of the implementers, so it is important to carry out an intellectual analysis of the project's possible risks.	Ask what participants understand by risk, and what would constitute risk in the topics being discussed.	
	Outcomes are more successful when they impact development.	Begin by reviewing the seven components of development impact.	
	Each activity has an economic cost measured in relation to fixed and variable costs (salaries, contracts, materials, logistical and administrative support).	Draw up a checklist to compare labour costs, contracts and other expenditure in each country.	
	The proposal is the central axis of a development strategy. Its six components should be thought of as parts of a whole.	Check that each thematic area has been covered clearly, concisely and concretely.	

Checklist of manual contents. This list serves as a reminder and mental exercise of all the elements covered in the manual.

Thematic area	Message	Strategy	Supporting material
Conceptual framework			
International migration and the economic activities of migrants			
Definition of remittance			
Remittances and the link with development: finances			
Remittances and the link with development: gender			
Remittances and the link with development: diasporas			
Assumptions			
Units and levels of analysis			
Glossary of terms			
Good practices in remittances work			
International development projects			
Development impact			
Modernization of money transfers			
Financial inclusion			
Investment of migrant capital			
Diaspora philanthropy for development			
Forming partnerships			
The partnership			
Steps in implementing a partnership			
Symmetry			
Goals and objectives			
Information			
Communication			
Expected outcomes			
Risks and resources			
Costs and budgets			

Thematic area	Message	Strategy	Supporting material
Project design			
Six components of project design			
1. Rationale and objectives			
2. Proposed and expected outcomes			
3. Activities			
4. Risks			
5. Development impact			
6. Budget			
Additional considerations			
Example			

Supporting material:

- Evaluation of good practices in remittances projects.

- Orozco, M. Chapters 1, 2 and 3 of *América Latina y el Caribe: Desarrollo, migración y remesas*. Teseo, 2012.

- Orozco, M. and Porras, L. , Diásporas y desarrollo: una aproximación a su estudio. Washington, D.C., 2012. Available at: http://b.3cdn.net/padf/989f5457ebfcc07d60_6am6iv0o3.pdf

- Orozco, M. En busca de opciones y soluciones: remesas familiares, alianzas con la diáspora y oportunidades de desarrollo en África, Section 3.2.
  Available at: http://www.migracion-ue-alc.eu/documents/conf_y_eventos/2013/Taller Chile/En busca de opciones y soluciones_M.Orozco.pdf

NOTES

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