

**JAPAN SPECIAL FUND (JSF)/ JAPANESE TRUST FUND FOR CONSULTANCY SERVICES
(JCF)**

PROJECT PROFILE

**SUPPORT FOR 3x1 PROGRAM FOR MIGRANTS
(ME-T1019)**

MARCH 13, 2006

I. BASIC PROJECT DATA

Beneficiary country:	Mexico
Project name:	Support for 3x1 Program for Migrants
Team members:	Carlos Gargiulo (RE2/SO2), Team Leader; Carolina Piedrafita (RE2/SO2); Eduardo Rodal (SDS/ICT); Emma Naslund-Hadley (RE2/SO2); Claudia Cox (RE2/SO2); y Carlos Pineda (RE2/EN2/MDG)
Executing agency:	Social Development Secretariat (SEDESOL) through its Undersecretary for Human and Social Development (<i>Subsecretaría de Desarrollo Social y Urbano</i>)
Beneficiaries:	Home Town Migrant associations both in the United States (US) and in Mexico; residents of the migrants' place of origin; migrants outside their home towns; municipalities/local governments
Financing plan:	IDB (JSF/JCF): US\$571,200 Local: US\$118,800 Total: US\$690,000
Execution period:	14 months
Disbursement period:	16 months
Tentative dates:	Approval: First semester 2006

II. BACKGROUND AND PROBLEM STATEMENT

- 2.1 Remittances are having a big impact on development as they channel an influx of resources into the economy of less developed countries. Latin America is a big receiver of remittances mainly from the US and Europe. Mexico is no exception to this trend; around 400,000 people a year migrate to the US. In 2005, remittances sent by Mexicans abroad amounted to US\$20,000 million dollars (equivalent to 3% of Mexico's GDP). Transfers are primarily made to family members in Mexico who use these funds mainly for consumption and other immediate needs. At the same time, collective remittances are gaining relevance

as Migrants' Clubs, Home Town Associations (HTA) and Migrants' Federations proliferate in the US. These organizations have strong links to their communities of origin and share the mission to improve the quality of life of those who stayed behind by either providing social services or improving existing infrastructure. The volume of both types of remittances is growing steadily and development institutions are focusing on increasing their impact and decreasing the transaction costs associated with them.

- 2.2 In order to capitalize on the potential that collective remittances can have on local development, Mexico's SEDESOL launched a matching grants program in 2002, *3x1 Program for Migrants or "Programa 3x1 para Migrantes"*. Each dollar channeled through the Program in the form of a collective remittance is matched by three different public sources of funding: the Federal, the State and the Municipal governments. Under the current scheme Migrants generally generate project proposals, and they have the last word as to where and what the money is used for. Once the four sources of funding agree on a project, resources are channeled to the migrant's communities of origin, predominantly rural, where they mainly benefit the poor and extremely poor. Even if individual remittances are a key element for poverty reduction as they represent a vital income of poor Mexican families, due to the high costs associated with migration these do not target extreme poverty¹. The expectation is that collective remittances will fill this gap and attend to the needs of the extremely poor in these communities by creating new jobs or increasing their present income levels.
- 2.3 So far the *3x1 Program for Migrants* has been largely successful and has a working relationship with 527 HTAs in the US. Between 2002 and 2004 the amount of collective remittances channeled through it grew from US\$9 million to US\$15 million. 3,859 projects have been implemented at an average cost of US\$40,000. Of these projects 23% focused on urban services, 15% on community centers, 14% on street paving, 13% on water provision services and 11% on electricity. The remaining 30% were small infrastructure projects such as rehabilitation of schools and health centers, as well as some productive initiatives that accounted for 4%.
- 2.4 Notwithstanding these achievements, there is still huge potential for program growth that has not been taken advantage of: (i) a large number of HTAs and migrant communities in the US remain outside the network; (ii) there is not an established process or communication strategy to exchange and clarify the interests and priorities of donors and the beneficiary communities before fundable projects are selected. Thus, the migrant community in the US proposes and selects projects with little previous contact with the beneficiary population; and (iii) program accountability and transparency are challenged by the lack of a publicly available source of information to either choose from an array of proposed projects or to just check or monitor the status of a project in execution. Moreover, Migrant's trust in the Program is still fragile and based mostly on

¹ Data shows that remittances in 2002 only represented 2% of the income of the extreme poor.

personal relations among key players. Finally, even if Program's actions have considerably improved living conditions, migration flows are still in ascent because there are no income-generating activities or investments geared towards fostering the competitiveness of these hometowns.

- 2.5 In this context, migrants' HTA and Federations are interested in expanding the scope of the *3x1 Program for Migrants* from mostly social infrastructure projects towards productive investments and/or technical assistance to build capacity for the provision of productive and non-productive rural services (tourism, transportation services, food processing, etc.). While social infrastructure projects will still be financed, if successful productive investments would generate employment and/or improve income levels.
- 2.6 The Government of Mexico (GOM) has requested an IADB lending operation (ME—L1012) to provide dynamism to local and regional economies through the institutional framework of the *3X1 Program for Migrants*. For the successful preparation of the first phase of this lending operation it is necessary to:
(i) develop concrete mechanisms for the enhancement of the institutional framework; (ii) streamline SEDESOL's current micro planning instrument; (iii) design an informatics master plan for the computerization of planning and monitoring processes; (iv) lay the basis for a monitoring and evaluation system suitable for measuring Program impact; and (v) enhance SEDESOL's capacity to raise awareness of the objectives of the Program and promote the productive pilot.

III. TECHNICAL COOPERATION OBJECTIVE AND DESCRIPTION

- 3.1 The Technical Cooperation (TC) objective is to support the preparation and implementation of both phases of ME-L1012 by developing the necessary tools and methodologies. It will design tools and methodologies to be used during the Phase I, and will directly support Phase II in which processes from Phase I will be streamlined, methodologies adjusted and best practices replicated. To achieve this overall objective this TC will focus on five mutually reinforcing components:

1. Component 1. Institutional strengthening

- 3.2 The component will seek to strengthen the institutional framework of the 3x1 Program through the following activities:
 - a. **Local governments.** The development of a training and institutional strengthening plan for local government actors, aimed at enhancing their capacity to coordinate local development processes and the promotion of productive initiatives. This task will entail the identification of necessary training needs, specific training designs for each audience, as well as the identification and design of any technical assistance that the local governments will need.

- b. **Local counterpart clubs.** Development of a plan for training local counterpart clubs in Mexico, or *clubes espejo*, to strengthen their capacities to maintain a direct and continuous communication with the clubs and associations of migrants in the US. The plan will outline recommendations on the responsibilities of the *clubes espejo* and provide training to carry out relevant activities such as social auditing, promotion of community participation, identification of productive projects, and supervision of infrastructure projects.

2. Component 2. Participative methodologies

- 3.3 The component sets out to enhance the participation of beneficiaries and other stakeholders in the identification and prioritization of 3x1 project initiatives. SEDESOL has just recently developed some participatory methodologies which are not yet tailored to the selection of 3X1 projects in general, and productive projects in particular. This last ones require the acting participation of the private sector which has not been addressed before by SEDESOL. This TC will assess the current techniques and include the necessary changes to obtain an efficient participatory methodology to be applied at 3X1 selection and supervision process. The concrete activities that will be financed are:

- a. **Micro-planning instrument.** Review of the micro-planning instrument recently developed by SEDESOL, evaluating its applicability as a participatory tool within the 3x1 Program and developing concrete suggestions for any adjustments deemed necessary. The review will also encompass an assessment of the micro-planning implementation scheme used by SEDESOL, indicating any adjustments necessary for the integration of the 3x1 Program within the overall system.
- b. **Micro-planning processes.** The development of a plan and a timetable for the implementation of participatory processes in the targeted micro-regions. The plan will detail the events that will be carried out at different levels in each micro-region, as well as the responsibilities of different actors. The plan will specify any need for outsourcing of activities that cannot be carried out within the current structure and human resource capacity of SEDESOL.

3. Component 3. Baseline design for project evaluation

- 3.4 The objective of this component will be to design the baseline indicators for project evaluation and the necessary instruments for data gathering through out the project cycle. SEDESOL has a monitoring and evaluation system that the Program will use, but there will be a need to develop additional indicators and tools to assess them, as well as to specifically sample the areas where the project will intervene. The activities funded by this component are:

- a. **Identification of indicators.** This process will imply the preparation of a list of appropriate indicators, giving priority to the indicators laid out in the logical framework.
 - b. **Baseline data.** Assess all sources of information currently available in Mexico that can be used for the development of the baseline (current national surveys, census information, specific State surveys, data periodically collected by SEDESOL in its monitoring and evaluation system). If necessary, design new tools to gather information on the indicators that are not available (surveys, focus groups, in depth interviews with key stakeholders). All new indicators and data collection tools will be validated through a pilot survey. Using the new data recollection tools the component will carry out a survey in the targeted micro regions. The data collected will complement already existing information and be used in the preparation of the Program's baseline.
- 3.5 The tools developed in this component will be used for a thorough intermediate and final quasi-experimental evaluation financed with Program resources. These evaluations will ensure that the tools and methodologies developed with the support of this TC are appropriately designed and rightly applied to deliver the expected results. There will be provisions to adjust these methodologies after the intermediary evaluation, if needed.

4. Component 4. Design of a communication strategy and support materials

- 3.6 This component will develop mechanisms for increasing SEDESOL's capacity to raise awareness within the productive sector on the objectives and activities of the *3x1 Program*. Specifically, this component will fund the design of a communication strategy targeted to: (i) rally the interest and promote participation of the private sector and communities in the productive projects pilot; (ii) promote migrant participation in the definition of productive projects and financing; (iii) enlarge the donor's base; (iv) promote transparency and accountability in project execution by securing safe and constant flows of information; and (v) spread Program's lessons learned and best practices. The component will finance the following activities:
- a. **Migrant community.** Development of a strategy and action plan for increasing the support for the 3x1 Program in general, and the Productive Project Pilot in particular, within the migrant community in the US. The action plan will detail concrete activities that will be implemented within the framework of ME-L1012, including the main objectives and messages of publications and events for information exchange.
 - b. **Private sector and community groups.** Development of a strategy and an action plan aimed at generating interest and support for the Productive Project Pilot among local industries and community cooperatives in the

targeted micro-regions. The strategy and action plan will propose concrete activities for facilitating the strategic alliance between the local industries and governments, and the organizations of migrants in the US. This task will encompass the development and design of communication materials.

- c. **States and municipalities.** Development of a strategy and an action plan to be implemented by the Resident Communicator of SEDESOL in the states and municipalities to promote the interest of the state governments to participate in the Productive Project Pilot.
- 3.7 The communication strategy and materials developed through this component will be carried out during project implementation and will strongly contribute to Program consolidation within SEDESOL and the migrant communities.
- 3.8 **NOTE:** Components 1, 2 and 4 will conduct assessments on the current situation and design tools and methodologies to be applied during project implementation. The implementation will be financed with program funds.

IV. COST AND FINANCING

- 4.1 As indicated in the Table IV-1, the total cost of the TC is estimated at US\$571,200 to be charged against the resources of the Japanese Special Fund. The Budget is divided as follows: US\$423,750 in Consultancy fees, US\$47,250 in per diem and travel expenses, US\$30,200 in publications and dissemination materials, US\$20,000 in auditing expenses and US\$50,000 reserved for contingencies.

**Table IV-1
Budget**

	Unit Number	Unit Measure	Cost per Unit	JSF Total	Local Counterpart	Total
Component 1				<u>131,000</u>	<u>22,000</u>	<u>153,000</u>
Sr. Institutional specialist	20	weeks	3,500	70,000		70,000
Jr. Institutional specialist	20	weeks	2,000	40,000		40,000
Travel	9	round-trips	1,500	13,500		13,500
Per diem	50	days	150	7,500		7,500
SEDESOL support personnel (1)					22,000	22,000
Component 2				<u>57,050</u>	<u>22,000</u>	<u>79,050</u>
Sr. Sociologist/participatory expert	11	weeks	3,500	38,500		38,500
Jr. Expert	9	weeks	1,250	11,250		11,250
Travel	4	round-trips	1,000	4,000		4,000
Per diem	22	days	150	3,300		3,300
SEDESOL support personnel (1)					22,000	22,000
Component 3				<u>236,000</u>	<u>22,000</u>	<u>258,000</u>
Sr. Statistician	6	weeks	4,000	24,000		24,000
Sr. Statistician	6	weeks	4,000	24,000		24,000
Sr. Statistician	6	weeks	4,000	24,000		24,000
Jr. Statistician	6	weeks	1,000	6,000		6,000
Jr. Sociologist	6	weeks	1,000	6,000		6,000
Baseline measurements (2)	na	na	na	140,000		140,000
Travel	6	round-trips	1,000	6,000		6,000
Per diem	40	days	150	6,000		6,000
SEDESOL support personnel (1)					22,000	22,000
Component 4				<u>77,150</u>	<u>42,000</u>	<u>119,150</u>
Sr. Specialist	5	weeks	2,500	12,500		12,500
Sr. Specialist	5	weeks	2,500	12,500		12,500
Jr. Specialist	6	weeks	1,250	7,500		7,500
Jr. Specialist	6	weeks	1,250	7,500		7,500
SEDESOL communication specialist					22,000	22,000
Audiovisual communication materials	na	na	na	20,000	10,000	30,000
Printed communication materials	na	na	na	10,200	10,000	20,200
Travel	8	round-trips	400	3,200		3,200
Per diem	25	days	150	3,750		3,750
Subtotal				<u>501,200</u>	<u>108,000</u>	<u>609,200</u>
Contingencies 10%				<u>50,000</u>	<u>10,800</u>	<u>60,800</u>
Auditing				<u>20,000</u>		<u>20,000</u>
TOTAL TC				<u>571,200</u>	<u>118,800</u>	<u>690,000</u>

(1) Most contributions by SEDESOL are in kind, in an equivalent of 6 months salaries of support personnel that are going to supervise and provide support to the consultants that are carrying out studies in each component. There is also an in kind contribution in Printed communication materials in Component 5.

(2) These funds will cover the costs for gathering baseline information and for collecting the same information at mid project and end. Thus, they will cover the costs of three survey processes at 3 states. Each survey will be carried out in 72 projects/businesses (36 treatment and 36 control projects) and in 1440 households (720 treatment households working in projects and 720 control households working somewhere else). The average cost of each survey is of 10 dollars (10*1512* 9=136,000), so we rounded it up to 140,000.

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 Mexico's SEDESOL will be in charge of the technical execution of the proposed TC through its Undersecretary for Human and Social Development. This will include preparing terms of reference, hiring consultants and supervising their work. The IADB following requests from SEDESOL will process disbursements.
- 5.2 SEDESOL's mission is to formulate, coordinate and implement the Federal Government's social policy, orienting it towards the greater good with social responsibility. As such it has implemented IADB projects and has all the necessary institutional and technical capacity to execute the program, along with adequate information systems. Specialized consultancy firms will be contracted to implement the various components of the TC. Bank contracting procedures will be followed.

VI. MAJOR ISSUES

- 6.1 There are no major issues in this specific program because it consists of studies that will give input to the 3x1. However, the aim of expanding the 3x1's donor base and project scope represents some challenges that shall be addressed by the studies and tools that will be produced. There is the risk of overlapping and redundancy if the 3x1 Program doesn't coordinate its projects with those from other social programs. Also, the fact that there are four levels of donors involved poses the risk of an inefficient process. Thus, the studies to be carried under this program will see to it that all complementary projects are taken into account and that the recommended institutional design provides for an efficient decision making process.

VII. COORDINATION WITH OTHER OPERATIONS AND ACTIVITIES

- 7.1 It is worth mentioning that the Program supported by this TC complements other IADB technical assistance programs currently in execution, such as; (i) ATN/ME-7717-ME, that finances strategic plans to support private investments at the local level to foster economic Development through the use of remittances; (ii) ATN/ME-7834-ME, that supports the use of remittances as seed capital for agro businesses run by women; and (iii) MIF/AT-459, which supports the creation of a national credit institution that can compete for the transfer of remittances by lowering transaction costs. Lessons learned from the execution of these programs will be incorporated into Program design.
- 7.2 Even if all the above-mentioned projects have the common goal of using remittances to foster development, the program supported by this TC is the only one that will explore the use of collective remittances for this purpose. The seemingly closest program is ATN/ME-7717, "Capitalization of Remittances for

Local Economic Development", which supports individual migrants who seek to earn revenues by investing in Mexico. This project initially aimed at attracting collective remittances to foster productive investments in the migrant's communities of origin, but in its early stages concluded that Migrant Clubs or Home Town associations were not the best alternative for this, while individual migrants proved to be a better option to attract investments in Mexico². In practice, it was too complicated to reach agreements among migrant communities on what to invest on, more so because each individual migrant expected returns on his/her contributions. In the end individual migrants with a vision for business sponsored projects. (See [Annex I](#) – Comparison between ATN/ME-7717 and 3x1 Program).

- 7.3 But collective remittances are at the core of the 3X1 Program as it has been run by SEDESOL for the last five years. Thus, to attend the Program's request of assistance to design a productive projects pilot, we have carefully reviewed the problems encountered during ATN/ME-7717's execution. We have built in solutions within 3X1 project design to each of the problems identified. The table in Annex 1 presents the main lessons learned in Capitalization of Remittances for Local Economic Development and the corresponding action taken by the 3X1 Project to incorporate them into its design. By providing matching grants, the 3X1 Program transforms collective remittances into donations and migrants (grouped in Home Town Associations or Federations) into donors who just want to benefit their communities of origin without expecting anything in return. Also, the Program that this TC supports will have a much broader scope than any of the technical assistance projects related to remittances that have been implemented so far.

VIII. ENVIRONMENTAL AND SOCIAL IMPACTS

- 8.1 As this TC will only finance studies, it is not expected to have any negative environmental and social impacts. It is expected to have positive social impacts since it will allow for a better allocation of public private resources to finance infrastructure and productive investments in the pilot states.

² See project's IPPR. Lessons Learned.

IX. ACTION PLAN

- 9.1 The project is currently under preparation and will be approved during the first Semester of 2006. Staff time will be needed to: (i) process the TC within the Bank for its approval; (ii) support the preparation of terms of reference for each technical study; (iii) orient SEDESOL's staff during TC's implementation; and (iv) manage disbursements. It will approximately require 10 days of each team member (a total of 60 days).
- 9.2 The outputs of the current TC should be finalized and ready to be used as inputs for project design by the end of June 2006. Thus, consultancies should be ready to start to work during the second week of February (02/13).
- 9.3 A **preliminary execution/disbursement chronogram** follows. The weeks assigned need not be continuous in all cases.

Component	Start Date	End Date
Component 1	04/03/06	06/30/06
Component 2	04/03/06	06/30/06
Component 3	04/03/06	06/30/06
Component 4	04/03/06	06/30/06

Comparison between ATN/ME-7717 and 3x1 Program

Capitalization of Remittances for Local Economic Development Lessons Learned Sources: IPPR and Mid Term Evaluation	3x1 Program for Migrants Preventive measures taken in project design
HTAs and Migrant associations have no information on their community's present needs and/or of business opportunities in the area (Mid-Term Evaluation).	The Project Portal and Information system will allow Migrant clubs in the US to be in constant contact with beneficiaries in their communities of origin and better understand community needs.
Interaction with HTAs is hard due to their lack of resources and location in the US (Mid-Term Evaluation).	The Project Portal and Information system will guarantee communication between Migrant clubs in the US and project beneficiaries.
Migrant associations do not completely trust governmental organizations (Mid-Term Evaluation).	The Project Portal and Information system will add transparency to the Program's operations. Also, the 3x1 Program is already trusted and has high visibility among Migrant communities.
The Program has not designed an effective communication channel between the public and private sector, the beneficiaries and the Migrants. Successful projects are so because the Migrant investor travels frequently to his community of origin.	The Project Portal and Information system will guarantee communication between Migrant clubs, Federal and Local authorities and project beneficiaries. This will allow close contact without the need to travel.
The design of complicated administrative structures implies the need for longer project execution (IPPR).	The fact that the 3x1 Program has been in execution since 2001, will ease the design of a complicated administrative structure that would need to take extra time to work. The program is working efficiently and has high approval ratings.
Migrants were expecting returns on their investments, which made agreements on where to invest in more difficult to reach (Mid-Term Evaluation).	Migrants in the 3x1 don't expect returns; their contribution is a donation.
Having interviews with consulates and appearing in the media improves program positioning and increases the number of interested parties (IPPR).	A Communication Campaign targeting all stakeholders (Mexican consulates, HTA/ Migrants, private sector, beneficiaries, local authorities, etc.) will be carried out at the early stages of project execution.
Visits and communications with the project leaders in the US were vital to accelerate business plan development (IPPR).	The Project Portal and Information system will allow Migrant clubs in the US to be in constant contact with project execution and to closely supervise the projects funded by them.
The project didn't provide financial support, fact that turned some Migrant/investors off. Also, many business plans lacked working capital so their implementation was slowed down (IPPR).	To guarantee the implementation of projects supported, the 3x1 Program provides matching grants to initially support new and expanding businesses. The underlying assumption is that a grant would foster their capacity to access markets at a later stage.

Capitalization of Remittances for Local Economic Development Lessons Learned Sources: IPPR and Mid Term Evaluation	3x1 Program for Migrants
Need for a simple monitoring and evaluation system to track down advances and carry on general administration tasks (IPPR).	The 3x1 Program will (i) build upon SEDESOL's current monitoring system; and (ii) will set up a Project Portal to be regularly updated and to provide detailed information on project execution.
Success is based on being selective on the type of projects to be funded and not to overextend Program scope (IPPR).	The 3x1 Program is acting on a pilot mode regarding productive investments. The first Phase will be used to see which projects work best. The scope will be extended only during the second phase, contingent to successful results in Phase 1.
Once a project is authorized, each side of the deal should have a clear understanding of their responsibilities and benefits (IPPR).	This will be done through a contract that would clearly state each side's responsibilities (Public-private). Funds will be disbursed following the fulfillment of project milestones to be agreed at project start.
There are no parallel mechanisms for technical assistance for applicants requesting productive projects (Mid-Term Evaluation).	The 3x1 Program will provide these parallel support mechanism both during project preparation and implementation. It is a one-stop shop for funds and TA.
The design of complicated administrative structures implies the need for longer project execution (IPPR).	The fact that the 3x1 Program has been in execution since 2001, will ease the design of a complicated administrative structure that would need to take extra time to work. The program is working efficiently and has high approval ratings.
The evaluation committee that assessed projects preparedness did not have migrant representatives in them, fact which discouraged investments.	The 3x1 Program instituted the COVAMs (Comites de Validacion Municipal) as the body to have the last saying on whether a project should be funded by the Program. The COVAMs are formed by representatives from the Municipal and Federal levels of government, Migrants and the Private Sector. Also, 3x1 Program rules establishes that a COVAM meeting should not take place without a Migrant representative in it.
Sustainability is a big issue because NAFIN will not fund the project further. The Program hasn't been institutionalized into any permanent government structure.	By setting it up within SEDESOL the program is more likely to continue operating after Bank support. If the first Phase is successful it is feasible that Mexico will adopt its tools and methodologies and continue pursuing it.