

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

**REGIONAL
BOLIVIA, COLOMBIA, ECUADOR, AND URUGUAY**

**VOLUNTARY RETURN MIGRATION MODEL BASED ON
ENTREPRENEURSHIP DEVELOPMENT**

(RG-M1080)

DONORS MEMORANDUM

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ABBREVIATIONS

MSMEs	Micro-, small, and medium-sized enterprises
PCR	Project Completion Report
PEA	Project executing agency
PPMR	Project Performance Monitoring Report
SMEs	Small and medium-sized enterprises

**VOLUNTARY RETURN MIGRATION MODEL BASED ON
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(RG-M1080)**

EXECUTIVE SUMMARY

Beneficiaries:	Bolivia, Colombia, Ecuador, and Uruguay	
Executing agency:	Fundación CREA	
Beneficiaries:	Immigrants in Spain and their communities in the countries of origin (Bolivia, Colombia, Ecuador, and Uruguay).	
Funding:	MIF (Window III-A):	3,975,000
	Counterpart:	3,025,000
	Total:	7,000,000
Objectives:	<p>The general objective of the project is to promote the participation of emigrants in the productive and social development of their countries, beginning with their communities of origin, through the direct or indirect establishment of productive activities. The specific goal of the project is to encourage emigrants in Spain to set up new businesses in their countries of origin, directly by returning and/or by channeling a portion of the remittances for the development of businesses together with local partners. The goal is to propose a voluntary return migration model by directing remittances and/or the human resources themselves into productive projects with ties between communities of origin and destination. The project involves five components: (i) development of a network of institutions and dissemination of the initiative; (ii) business startup program; (iii) channeling of remittances into productive investment; (iv) coordination of a business network; and (v) implementation of a project monitoring and sustainability system.</p>	
Terms:	Execution period:	48 months
	Disbursement period:	54 months

Special contractual clauses:	As specific conditions precedent to the first disbursement, the following will be submitted to the Bank's satisfaction: (i) Annual Work Plan of the project for the first year; (ii) evidence of entry into force of Collaboration Protocols with local agencies; (iii) approval of the project's Operating Regulations; (iv) evidence that the General Coordinator and Local Coordinators have been selected in accordance with Bank procedures, and that the project's local offices have been set up.
Environmental and social review:	The Committee on Environment and Social Impact (CESI) approved this operation at its meeting on 10 November (44-06) without comment.
Exceptions to Bank policy:	No exceptions to Bank policy.

I. FRAME OF REFERENCE

A. Migratory flows from Latin America to Spain

- 1.1 In recent years, migratory flows from Latin America to Spain have had an intensity, volume, and impact without comparison in other European countries. One single statistic illustrates this new trend: between 1999 and 2001, the number of Latin Americans doubled, rising from 150,000 to 300,000 people; whereas in 2001, the Latin American population accounted for 26% of foreigners (outstripping the population of North African origin, at 23%), by the end of 2005 it had risen to 38.8%,¹ equivalent to more than 1,400,000 people. The regularization of foreign workers' status of the year 2000, the 2001 Documentation based on *Arraigo* [rootedness: special circumstances under which an immigrant will be issued a residence permit], and the new regularization process of 2005 are the processes that have raised the profile of the Latin American population living in Spain and facilitated their social and occupational integration. Foreigners from Latin America accounted for 30% of the requests for regularization granted in the year 2000. With the Documentation based on *Arraigo* of 2001, that figure rose to 46.9%; between 2004 and 2005, another 300,000 Latin Americans were regularized.² The countries of origin that account for the largest immigrant communities are Ecuador (491,797), Colombia (268,931), Argentina (151,878), Peru (84,427), and Bolivia (96,844). These immigrants are concentrated in the regions of Catalonia, Valencia, and Murcia, and most particularly in the Community of Madrid, where almost 40% of the Latin American immigrants are to be found.
- 1.2 However, not all the communities have experienced the same growth over those years, or have developed with the same socioeconomic characteristics. For example, between 2001 and 2005, while Latin America emigration in general to Spain increased four-fold, the number of emigrants from Bolivia rose by a factor of 15, from fewer than 7,000 people to more than 100,000. From a sociological point of view, these Latin American immigrants are largely young people, with an average age of 32; among them, women account for a slight majority (54.58%); and they have very high levels of education (67% have secondary or university schooling). More than 1.4% of these emigrants have set up formal companies in Spain, even though the bulk of them arrived only recently (79.51% of the total have lived in Spain for less than three years and only 5.78% have been there for more than 10 years). Clearly, social structures and levels of education vary from one nationality to another, and this factor partially explains the higher rates of company formation among Argentine emigrants (3.3% of whom have set up companies) compared with those from Ecuador (0.5%). However, the number of

¹ Organic Law 4/2000, of 11 January, on the rights and freedoms of foreigners in Spain and their social integration, amended by Organic Laws 8/2000 of 22 December, 11/2003 of 29 September, and 14/2003 of 20 November.

² Figures for 2005, INE, Municipal Breakdown of Inhabitants; estimates indicate that illegal immigrants could increase that figure by a further 20%.

formal companies created by Ecuadorians in Spain is still significant: more than 2,400.

- 1.3 In 2004, Latin American immigrants are estimated to have sent more than €3.5 billion back to their countries of origin. In general terms, the number of remittances sent to those countries is in excess of 12 million, at an average monthly amount of €322. At the same time, 30% indicate that they are able to save about 26% of their net income.

B. Problems and opportunities for the region's countries

- 1.4 From a development perspective, emigration can be a part of a negative circle: emigration by trained and, in general, more enterprising human resources, investments in destination countries, generating wealth there and, through remittances, consumption in the countries of origin, frequently of imported goods (85.46% of the remittances that leave Spain are used to buy goods, some of which are luxury items, with the remainder being used for housing purchases). Nevertheless, emigration can help bring about major changes in standards of living in the countries of origin. Emigration offers opportunities not only to generate income, part of which is sent back to the country of origin, but also to accumulate knowledge and skills and to facilitate the development of productive relations, trade, and even technology transfers between sending and receiving countries; in addition, remittances can be used to generate wealth in countries of origin. In this way, emigration can become a factor of development in the sending country, allowing emigrants to generate productive activities in their countries of origin which also —by providing them with a stable source of income— facilitate their return.
- 1.5 The problems faced by emigrants in developing their business potential and in securing participation in the virtuous circle that could enable them to return to their countries of origin with an economic activity to pursue can be categorized into three areas:
 - a. The difficulty of establishing companies and setting up businesses in the countries of origin, due to low levels of market transparency and lack of access to funding.
 - b. There is a lack of coordination between the immigrants' societies and markets of origin and destination, which prevents this group from capitalizing on their transnational circumstances. In order to generate consistent rather than sporadic exchanges of trade and know-how, businesses need to be set up in the destination country and there must also be adequate productive activities in the country of origin, and viceversa.
 - c. Difficulties faced by emigrants when they return to their countries of origin during their economically active lives. The skills and know-how accumulated during the time spent in the destination country could be used to benefit the country of origin if the emigrant returns to his community and successfully

pursues a productive activity there. Both the characteristics of remittance flows, which are chiefly used to fund consumption, and the absence of economic and commercial ties further undermine those possibilities. Indeed, return is difficult, from both the social and economic points of view, because of unfamiliarity with local conditions and regulations, and the inadequacy of support instruments; very often, back in their home countries, emigrants fail to generate the incomes they had hoped, with some even losing their accumulated savings and emigrating anew.

C. Earlier experiences: promotion of voluntary return

- 1.6 Spain has developed programs to promote the return of Spaniards who emigrated to Latin America based on support for the development of new businesses. Such initiatives are being carried out by the Galicia Regional Government with Fundación CREA (the foundation has developed the methodology and carries out the projects). They work with Galician emigrants and their second- and third-generation descendants living in Latin America with a view to their physical return (as a complement to the region's aging demographic pyramid) and/or to their involvement as investors. One basic pillar of this project is basic training in the destination countries (Argentina, Uruguay, Brazil, Venezuela, Panama, and Mexico) and follow-up and coaching for their productive projects for a 12-month period after they are launched in Spain. In addition, the coordination of the "Bilateral Forums Network" has enabled ties to be strengthened between Galicia and Latin America with the creation of both physical and virtual platforms and the creation of association-building mechanisms in the business and social spheres.
- 1.7 These projects have been complemented by an initiative that seeks to promote project sustainability linked to a Corporate Social Responsibility (CSR) model. Through a foundation (Fundación Galicia Emigración of the Government of the Autonomous Community of Galicia), which involves the participation of 70 large companies and the Government of Galicia (with resources from the European Social Fund), business training projects have been carried out, as have social actions and efforts to create a microcredit fund. These projects have borne significant fruit: in 2002 and 2003 around 65% of the beneficiaries succeeded in carrying out business projects, and the total investment as of mid-2005 from 120 business projects totaled more than €12 million.

D. Rationale for the proposed project

- 1.8 The project aims to help overcome obstacles so that emigrants can contribute to the development of their countries of origin, both while they are in their destination countries and when they return to their own. Based on the methodology developed by CREA for Spanish emigrants, the project plans to generate the conditions for the creation of companies, in the sending and receiving countries alike, by building individual entrepreneurial capacities and providing instruments and mechanisms to support the creation of new business initiatives. The project's strategy also involves

- channeling remittances, or a part of them, toward productive ends, facilitating the reconstruction of emigrants' social and economic ties with their countries of origin.
- 1.9 To facilitate relations between sending and receiving countries, the project will concentrate its activities in four countries in the region: Ecuador and Colombia, the countries with the largest emigrant communities in Spain; Bolivia, the country of origin with the highest migrant flow growth and whose migrant numbers continue to grow; and Uruguay, which has a small community of emigrants (42,062 in 2005) who are among the most highly educated and enterprising. Similar activities are planned for those countries, using the same methodology of supporting the creation of business initiatives and local institutions with strong ties to productive activities and microenterprises, so they can then continue the activity once the MIF support has come to an end. The following local institutions have joined the initiative and have signed Collaboration Protocols with CREA: Fundación Alternativa, in Ecuador; Sergio Arboleda University, in Colombia; FIE in Bolivia; and FUNDASOL in Uruguay.
- 1.10 The MIF has supported various initiatives aimed at encouraging the creation of productive processes by channeling remittances. In particular: Venture Capital Fund for Returning Entrepreneurs: Dekassegui Fund (Brazil – MIF/AT-410), Remittances and Training for Brazilian Migrants and their Beneficiaries in Brazil (MIF/AT-737), Returning Entrepreneurs Support Program (Peru – MIF/AT-588), Capitalization of Remittances for Local Economic Development (Mexico – MIF/AT-450), and Promoting Diaspora and Local Support for Productive Initiatives (Regional – MIF/AT-728).
- 1.11 This new initiative is innovative, however, in that it is the first time that the technical support and assistance for the creation of new companies is to be provided in both the sending and receiving countries, enabling emigrants to establish forms of economic subsistence in their countries of origin before they return. In this way, through the design of a migration model based on voluntary return and the creation of networks that can build solid international ties between the destination country (Spain) and the countries of origin, the MIF will help emigrants become involved in the economic and social development of their communities of origin. Good project results will facilitate the continuation of the initiatives in those countries, and the systematization of the methodology developed will allow the experience to be replicated in other countries.

II. PROJECT DESCRIPTION

A. Objective

- 2.1 The *general objective* of the project is to promote the participation of emigrants in the productive and social development of their countries, beginning with their communities of origin, through the direct or indirect establishment of productive activities. The *specific objective* of the project is for emigrants in Spain to set up new businesses in their countries of origin, directly by returning and/or by

channeling a portion of the remittances for the development of businesses together with local partners. The goal is to propose a voluntary return migration model by directing remittances and/or the human resources themselves into productive projects with ties between communities of origin and destination.

B. Components and activities

- 2.2 The project plans to carry out activities in Spain and in the four beneficiary countries,³ using the same business development methodology. The project will be widely publicized and beneficiaries will be selected, with a view to safeguarding the confidentiality of the information they supply to the project.⁴ The beneficiaries will receive training and technical assistance in developing the business plan and launching the businesses, and the business owners will receive support during the first months of implementation of their initiatives. The simultaneous selection of beneficiaries in Spain and in the countries of origin will allow efforts to be concentrated on nationalities and regions of origin in such a way as to encourage the development of ties between emigrants-entrepreneurs in Spain and potential entrepreneurs in their communities of origin. This will allow remittances to be associated more easily with business initiatives in the countries of origin, and will additionally activate a series of instruments for facilitating access to funding by those new companies. The project provides for the implementation of five components.

1. Component 1: Development of the network of institutions and dissemination of the initiative (MIF: US\$723,500; Counterpart: US\$327,800)

- 2.3 Under this component, an effective network of institutions will be set up in the beneficiary countries to carry out project activities, a common message will be defined, and the target population will be properly identified. To this end, activities will be organized to generate and promote demand among emigrants in Spain and their corresponding communities of origin in the project countries, and those individuals with the highest levels of commitment and willingness to embark on business activities will be selected.
- 2.4 This component will fund the following activities: (i) mapping of the potential stakeholders and geographical areas to be targeted by the project; (ii) dissemination of the project, and community awareness raising in Spain and in the countries of origin, providing information on the benefits of the project and of the opportunity to use a portion of the savings and remittances to establish a business; and (iii) creation of the network of institutions by providing technical assistance to the local agencies involved, in order to equip them with the professional skills needed to carry out the project activities, based on the methodology used by CREA.

³ Bolivia, Colombia, Ecuador, and Uruguay.

⁴ The selection criteria do not envisage discriminating between legal and illegal immigrants.

- 2.5 **Outputs.** This component is expected to achieve the following: (i) holding 124 awareness-raising seminars, with an average of 40 participants attending each; (ii) identifying four local institutions capable of carrying out all the phases of the project, including publicity, beneficiary awareness-raising and training, and monitoring and coaching of the business projects; and (iii) equipping each local institution, by project's end, with three specialists instilled with the know-how of Fundación CREA.

2. Component 2: Business startup program (MIF: US\$2,095,450; Counterpart: US\$1,580,335)

- 2.6 This component will apply the methodology and educational products developed in Spain by CREA and applied with success in recent years for the development of new businesses by Spanish emigrants returning to their communities of origin or by Latin American emigrants who are still in Spain. In general, immigrant communities do not have skills in areas related to business development, so this training will serve as a central pillar of the project, both in Spain and in the countries of origin.
- 2.7 The planned activities, both in the project's target countries of origin and in Spain, are the following: (i) selection of beneficiaries; (ii) training in business development techniques, in groups of 15 to 20 beneficiaries each, and support for the design of business plans for the new enterprises and, in the case of beneficiaries in Spain wishing to set up new businesses in their country of origin, the adaptation of that plan to local conditions; and (iii) project monitoring and coaching.
- 2.8 In terms of its methodology, the process is structured in two complementary blocks of training over a period of 10 to 12 months. The **first block** covers basic training and is designed to provide an *overview of business management*, by means of modules that address basic managerial considerations in the various functional areas of a business. The instructors involved adapt the course content to the characteristics of each group and their projects, thus providing practical training. The subjects taught are: Company Policy, Marketing, Finance, Information Technology, Human Resources, Tax Issues, Legal Considerations, Environment, and Communication. The **second block** is taught in parallel to the first and is aimed at *carrying out business startup projects*. The key element is the development and study of each participant's business idea, in order to determine whether it is viable or not, leading to the design of a business plan that is ready for the start of business activities or for self-employment. There are several sources of support for this: (i) personalized monitoring by a coach experienced in business startup and growth, who will track the progress of each project and strategic plan; (ii) individual advice from the instructors who teach the various subjects, thus facilitating the better operation of the projects; and (iii) a final tool, field work, supporting them in gathering information and instructions for adopting the right structure (the Operating Regulations contain further details on the methodology).

- 2.9 **Outputs.** This component is expected to achieve the following: (i) the startup of 525 new businesses; (ii) 1,050 direct jobs; and (iii) 4,200 indirect jobs. The direct and indirect job results will be in proportion to the businesses started by country and year.

3. Component 3: Channeling of remittances into productive investment (MIF: US\$248,000; Counterpart: US\$15,000)

- 2.10 This component will fund the channeling of remittances, or a part of them, into productive investments in business projects in the countries of origin. The component will be geared to the development of financial products in line with the characteristics of the business project (“documentary” microcredit), under which the immigrant will obtain a microcredit in Spain so that a member of his circle of family and friends can pursue an investment project in the place of origin. In addition, in each country a financial product aimed at supporting the new business initiatives will be designed; and, to that end, up to US\$50,000 will be allocated per country to establish a pilot project for such instruments, working in conjunction with a local financial institution.
- 2.11 The criteria for the use and governance of those funds will depend on the design developed as part of the component. The usage criteria will include the following: (i) the use of resources must be associated with a microfinance institution, and they may be used in various ways, including as collateral; (ii) beneficiaries must be a part of a community with which the project is working; (iii) regulations for the use of those funds must be drawn up and agreed upon with the Bank; and (iv) the instrument designed must be linked to remittance flows and must contribute to remittance funds being used for investment and business development. At the end of execution, once operation of the instrument has been validated and based on the results obtained, the resources may be returned to the Bank or used in technical assistance efforts to strengthen the instrument.

4. Component 4: Coordination of a business network (MIF: US\$128,040; Counterpart: US\$77,500)

- 2.12 This component will serve to strengthen ties between productive initiatives in the emigrants’ countries of origin and established businesses in Spain. This network will serve to promote contacts between entrepreneurs, who will be able to establish commercial and/or productive relationships, exchange information and know-how, address the authorities and other social agents with a single voice, as well as other initiatives.
- 2.13 To achieve this, the project plans to pursue the following activities: (i) design and implementation of a virtual platform (webpage) among all the micro-, small, and medium-sizes enterprises (MSMEs), which will also result in generating economic transactions between the businesses set up under the project (this activity will be called REDEMPRESA); and (ii) organization of a meeting of entrepreneurs in each country and in Spain.

- 2.14 **Outputs.** This component is expected to achieve the following: (i) a network of 150 MSMEs set up; (ii) at least 70 companies having conducted economic transactions over the new web platform; and (iii) at least 20 MSMEs having established cooperative ties with large companies.

5. Component 5: Implementation of a project monitoring and sustainability system (MIF US\$233,300)

- 2.15 The objective of this component is to design and implement a monitoring system in the various project areas of influence, not only facilitating the evaluation of the experience, but also furnishing the information necessary for its systematization. The project will fund: (i) the design and implementation of a database and a management, monitoring, and control system; (ii) the dissemination of experiences; and (iii) the design of the sustainability strategy.
- 2.16 **Outputs.** This component is expected to achieve the following, in the countries of origin targeted by the project as well as in Spain: (i) provision of instruments for project management, monitoring, and control, together with a baseline for its subsequent evaluation; and (ii) nine events per country to analyze the results obtained, which will be used to disseminate and expand the project.

III. COST AND FUNDING

- 3.1 The anticipated cost of the project is US\$7,000,000, of which the MIF will contribute 57%, amounting to US\$3,975,000. The counterpart funding will be primarily in cash, with in-kind contributions accounting for only 14%. The counterpart funding is the responsibility of CREA, which will ensure that the local institutions also contribute to project implementation.

Components/cost categories	MIF	Counterpart	TOTAL	%
1. Development of the network of institutions and dissemination of the initiative	723,500	327,800	1,051,300	15.0
2. Business startup program	2,095,450	1,580,335	3,675,785	52.5
3. Channeling of remittances into productive investment	248,000	15,000	263,000	3.8
4. Coordination of a business network	128,040	77,500	205,540	2.9
5. Implementation of a project monitoring and sustainability system	233,300	-	233,300	3.3
Execution Expenses	387,570	936,960	1,324,530	18.9
Evaluations	80,000	-	80,000	1.1
Audits	-	22,000	22,000	0.3
Contingencies	79,140	65,405	144,545	2.1
Total	3,975,000	3,025,000	7,000,000	100

- 3.2 **Project sustainability** is based on: (i) the development of a network of institutions, one in each country targeted by the project, with the capacity to train new

entrepreneurs and monitor/coach new business projects; (ii) the implementation of sustainable funding mechanisms that capitalize on remittance flows (paragraph 2.10); and (iii) the startup of profitable businesses. Project benefits are expected to surpass the assistance that may be necessary to maintain the level of demand on the part of the potential entrepreneurs, in view of which the countries themselves may be interested in maintaining the scope of the program.

IV. EXECUTION MECHANISM

- 4.1 The **project executing agency** (PEA) will be Fundación CREA, a nonprofit agency set up by a number of large companies. CREA has designed, developed, and executed its own methodology to start up businesses and develop entrepreneurial skills. Although CREA was formally established in July 2004, its founding partners have been running support programs for new business owners among both Spanish emigrants abroad and Latin American immigrants in Spain, which has enabled it to accumulate a significant amount of experience.⁵ The PEA will be responsible to the Bank for maintaining the conditions for implementing the project and for project execution.
- 4.2 **Organization of execution.** Fundación CREA will implement the project through local institutions in the project's beneficiary countries: Bolivia, Colombia, Ecuador, and Uruguay. CREA will sign a *Collaboration Protocol* with those institutions. The PEA will have a *General Coordinator for the project*, who will be responsible for managing all the activities and for liaising with the Bank. In addition, CREA's accounting office will provide the administrative services necessary for project execution. Additionally, every collaborating local institution will set up an office with responsibility for the project, comprising a *National Project Technical Coordinator* and local administrative support.
- 4.3 Given the regional scope of the project, a **Project Executive Committee** will be set up to serve as the project's top decision-making body; it will comprise a member from each local institution participating in the project and will be chaired by the General Coordinator. It will meet on a yearly basis in one of the four countries of origin to assess the project's progress. It will also hold twice-yearly videoconference meetings to review the plans of action and identify steps to be taken during the following six-month period.
- 4.4 **Procurement.** The beneficiary will procure the goods and services provided for in the project and previously approved by the Bank by means of the semiannual procurement plan. These purchases will be made at market prices, through competitive methods and transparent procedures, in accordance with the policies set

⁵ The programs on which it has worked were promoted by: (i) the European Social Fund, since 1992; (ii) the European Regional Development Fund; (iii) the Ministry of Labor and Social Affairs (Bureau of Migration Regulation, and the Women's Institute); (iv) the Bureau of SME Policy; (v) Autonomous Communities (Galicia, La Rioja, and Canary Islands); and (v) associations of emigrants in Latin America (Argentina, Uruguay, Brazil, Venezuela, and Mexico).

out in documents GN-2349-7 and GN-2350-7 and with any simplified procedures that the MIF may adopt. During project execution the ex ante spending verification mechanism will be used, with the exception of expenditure items that amount to less than US\$20,000.

- 4.5 **Disbursements.** The contribution resources will be disbursed to the executing agency by means of advances of funds in an amount of up to 10%.

V. MONITORING AND EVALUATION

- 5.1 Fundación CREA will submit the following to the Bank for approval: (i) an *initial report* containing the project plan of action, including a description of activities, expected outcomes, execution schedule, and procurement plan; (ii) *semiannual reports* on project execution, no later than 30 calendar days after end of each calendar six-month period; (iii) *annual and final financial statements* (see Operating Regulations); and (iv) a *final report*, within 90 days of the date of the final disbursement of the contribution, to be used as the basis for drafting the Project Completion Report (PCR).
- 5.2 A **midterm evaluation** will be conducted after 50% of the resources have been disbursed or 24 months after the agreement is signed whichever comes first; this evaluation will be commissioned by the Bank and charged to the operation, and the terms of reference are to be agreed on with the executing agency. A **final evaluation**, commissioned by the Bank and charged to the operation, will be conducted within three months of the end of the execution period. This second evaluation will include a comparative analysis of the outcomes obtained vis-à-vis the initial baseline, and will serve as the basis for a sustainability workshop to be held before project completion.

VI. ENVIRONMENTAL AND SOCIAL CONSIDERATIONS

- 6.1 While the proposed project's activities will focus on the development of business skills and thus will have no direct social or environmental effects, the funded activities would help the businesses created take into account environmental and social sustainability issues as one of the elements in their business plans and the sustainability of the business initiatives themselves; consequently, the operation is expected to have a positive indirect social and environmental impact. In addition, the selection method for beneficiaries contains restrictions to ensure that the beneficiary projects will have no negative environmental or social consequences, take into account the interests of the beneficiary communities in their development, and consider ethnic and cultural diversity in order to promote social inclusion and equity (see Operating Regulations).
- 6.2 In addition, the training activities of component 2 are to include awareness-raising about environmental issues. Also, for the provision of the technical assistance provided for in the project, the criteria to be used include the requirement that the

business activity abides by the Exclusion List (IBD Environmental Restrictions) and domestic environmental and social laws.

VII. RISKS AND BENEFITS

- 7.1 **Risks.** The main risks in this operation are: (i) given its regional scope and the number of institutions involved in the project, the operation could encounter problems in its execution; for that reason, it provides for the establishment of a Project Executive Committee, with representatives of the institutions involved in the project, which will facilitate closer coordination of project actions; and (ii) macroeconomic conditions could negatively affect the possibility of launching new businesses, thereby limiting opportunities for emigrants to start new businesses and return to their countries of origin; however, the project seeks to support the voluntary return of emigrants to their countries of origin, by paving the way for the startup of businesses that will allow them to generate income.
- 7.2 **Benefits.** The main benefit of the project is the introduction, into countries with high rates of emigration, of a working methodology that will enable emigrants not only to maintain economic ties with their communities of origin, but also to structure economic activities in their countries of origin, capitalizing on knowledge and experiences gained in the destination countries, thus facilitating their return to their communities of origin. To achieve this, the project will facilitate the transfer of this methodology to the four local institutions that will be participating in project implementation. The following expected outcomes stand out: (i) 525 new businesses established; (ii) 1,050 direct jobs and 4,200 indirect jobs created; (iii) a network of 150 MSMEs set up; and (iv) at least 70 businesses conducting economic transactions over the new web platform.

VOLUNTARY RETURN MIGRATION MODEL BASED ON ENTREPRENEURSHIP DEVELOPMENT (RG-M1080)
LOGICAL FRAMEWORK

Objectives	Indicators	Verification methods	Assumptions
Goal			
Promote the participation of emigrants in the productive and social development of their countries, beginning with their communities of origin, through the direct or indirect establishment of productive activities.	<p>Three years after project conclusion:</p> <p>80% of the new businesses supported by the project still exist (with respect to the number of businesses established by the end of the project).</p> <p>As a result of the success of the businesses supported by the project, 20% of the emigrated beneficiaries in Spain have returned to their country of origin or are planning to do so soon.</p>	<p>Ex post evaluation carried out by the local collaborating institutions.</p> <p>Baseline defined in the final evaluation</p> <p>Final evaluation</p> <p>Project Completion Report (PCR)</p>	The countries' monetary, exchange rate, tax, commercial, and employment conditions remain relatively stable.
Purpose			
<p>Establishment by emigrants in Spain of new businesses in their countries of origin,* through their direct return and/or by channeling part of their remittances into the development of businesses in conjunction with local partners.</p> <p>*The participating beneficiary countries are: Bolivia, Colombia, Ecuador, and Uruguay.</p>	<p>By the end of project execution:</p> <p>5 business networks consolidated (1 per beneficiary country and Spain).</p> <p>A total of 525 new businesses established in the beneficiary countries and Spain, through direct project support, with favorable prospects of sustainability and growth .</p> <p>1050 new direct jobs and 4200 new indirect jobs created through project-supported businesses.</p> <p>Commercial transactions between at least 70 businesses in Spain and businesses in the four beneficiary countries) through the virtual platform established with project support.</p>	<p>Project management and monitoring system (includes baselines developed through component 5)</p> <p>Semiannual and final reports of the executing agency</p> <p>PCR</p> <p>Project Performance Monitoring Reports (PPMRs)</p> <p>Midterm and final evaluations by external consultants</p>	Emigrants and their families remain willing to return to their countries of origin and/or to set up business in their communities of origin.

Objectives	Indicators	Verification methods	Assumptions
Components			
1. Development of the network of institutions and dissemination of the initiative			
Setting up an effective network of institutions in the beneficiary countries for carrying out project activities, defining a common message, and properly identifying the project's target population.	<p>By month six of execution:</p> <ul style="list-style-type: none"> i. four local institutions identified and trained for implementation of project activities in each of the four beneficiary countries. <p>By month 24 of execution:</p> <ul style="list-style-type: none"> i. at least 62 awareness workshops conducted in the four beneficiary countries and Spain, with an average of 40 participants each. ii. publicity campaign under way in each country of origin and Spain. <p>By the end of project execution:</p> <ul style="list-style-type: none"> i. identification of four local institutions capable of carrying out all the phases of the project, from beneficiary awareness-raising and training to monitoring and coaching of the business projects. ii. 124 awareness-raising seminars held, with an average of 40 participants at each. iii. each local institution equipped with three experts to whom Fundación CREA know-how has been transferred. 	<p>Semiannual progress reports</p> <p>Final report of the executing agency</p> <p>PCR</p> <p>PPMRs</p> <p>Midterm and final evaluations</p> <p>Project management and monitoring system</p>	<p>Local capacity exists to adapt the CREA methodology and transfer the technological know-how.</p> <p>Project entrepreneurs/beneficiaries have the ability to succeed in their undertakings.</p>

Objectives	Indicators	Verification methods	Assumptions
2. Business startup program			
Startup of new businesses by emigrants to Spain returning to their communities of origin, or by emigrants remaining in Spain.	<p>By month 24 of execution:</p> <ul style="list-style-type: none"> i. a total of 360 beneficiaries have been selected. ii. at least 200 businesses set up with direct project support. <p>At the end of the project:</p> <ul style="list-style-type: none"> i. 525 new businesses created (90 in Ecuador and Colombia; 60 in Bolivia; 45 in Uruguay; and 240 in Spain). ii. 370 businesses receive individualized coaching and inquiries from 200 businesses dealt with by means of the follow-up interactive mailbox. 	<p>Semiannual progress reports</p> <p>Final report of the executing agency</p> <p>PCR</p> <p>PPMR</p> <p>Midterm and final evaluations</p>	
3. Channeling of remittances into productive investment.			
Facilitate the channeling of remittances, or a part thereof, into productive investments in the countries of origin in business projects with ties between communities of origin and destination.	<p>By month 24 of execution:</p> <ul style="list-style-type: none"> i. agreements reached with microfinance institutions in the four beneficiary countries for the introduction of a financing instrument to channel remittances to new business initiatives. i. financing instruments have been designed and established to channel remittances to productive investments in countries of origin in at least one country, on a pilot basis. <p>By month 36 of execution:</p> <ul style="list-style-type: none"> i. financing instruments have been established to channel remittances to productive investments 	<p>Semiannual progress reports</p> <p>Final report of the executing agency</p> <p>PCR</p> <p>PPMR</p> <p>Midterm and final evaluations</p>	

Objectives	Indicators	Verification methods	Assumptions
	<p>in countries of origin in at least three countries on a pilot basis.</p> <p>At the end of the project:</p> <p>i. financing instruments established permanently in at least one country to channel remittances to productive investments in countries of origin.</p>		
4. Coordination of a business network			
Strengthen ties between productive initiatives in the emigrants' countries of origin and businesses established in Spain by both beneficiary immigrants and Spaniards.	<p>At the end of the project:</p> <p>i. REDEMPRESA established and with 150 member MSMEs.</p> <p>ii. at least 70 businesses having conducted economic transactions over the new web platform.</p> <p>iii. one forum among entrepreneurs per country of origin held, along with two forums in Spain.</p> <p>iv. at least 20 MSMEs to have established cooperative ties with large businesses.</p>	<p>Semiannual progress reports</p> <p>Final report of the executing agency</p> <p>PCR</p> <p>PPMR</p> <p>Midterm and final evaluations</p>	
5. Implementation of a project monitoring and sustainability system			
Design and implement a monitoring system at the various project offices, facilitating not only the evaluation of the experience, but also furnishing the information necessary for its systematization.	<p>By month 6 of execution:</p> <p>i. the system for project management, monitoring, and control, including identification of key indicators and baselines for evaluating the project in the four beneficiary countries.</p> <p>By month 24 of execution:</p>	<p>Semiannual progress reports</p> <p>Final report of the executing agency</p> <p>PCR</p> <p>PPMR</p> <p>Midterm and final evaluations</p>	

Objectives	Indicators	Verification methods	Assumptions
	<ul style="list-style-type: none"> i. project sustainability strategy designed. ii. 4 publications with project outcomes published on the project's website. <p>At the end of the project:</p> <ul style="list-style-type: none"> i. three studies per country analyzing project outcomes, to be used to disseminate the project through workshops. ii. nine events per country to analyze outcomes, to be used to disseminate and expand the project. 		
Activities			
1. Development of a network of institutions, project dissemination, and selection of beneficiaries			
<p>1.1 Mapping of the potential sectors and geographical areas to be targeted by the project.</p> <p>1.2 Dissemination of the project, and community awareness raising in Spain and in the countries of origin, setting out the project's benefits and the opportunity it offers for savings and remittances to be used to establish a business.</p> <p>1.3 Creation of the Network of Institutions and local capacity building, by providing technical assistance for the local collaborating institutions, based on the methodology introduced by CREA.</p>	<p>By the end of the first six months of execution, in each country:</p> <ul style="list-style-type: none"> i. mapping and identification of the target population by sector and geographical area. ii. communications strategy designed. iii. training of collaborating institutions in all the countries of origin carried out. iv. learning internships in Spain for two individuals from each collaborating institution. <p>At the end of the first year:</p> <ul style="list-style-type: none"> i. publicity campaign launched in each country 	<p>Semiannual progress reports</p> <p>Final report of the executing agency</p> <p>Records of awareness-raising participants</p>	

Objectives	Indicators	Verification methods	Assumptions
	<p>of origin and in Spain.</p> <p>ii. 12 awareness workshops for beneficiaries in Ecuador and Colombia.</p> <p>iii. 8 awareness workshops for beneficiaries in Bolivia.</p>		
	<p>iv. 4 awareness workshops for beneficiaries in Uruguay.</p> <p>v. 30 awareness workshops for beneficiaries in Spain.</p> <p>vi. 2 awareness workshops for stakeholders in each country.</p> <p>vii. a matrix for profiling, convoking, and selecting external consultants.</p> <p>By the end of the second and third years:</p> <p>i. publicity campaign for maintenance launched in each country of origin and in Spain.</p> <p>ii. 12 awareness workshops for beneficiaries in Ecuador and Colombia in each year.</p> <p>iii. 6 awareness workshops for beneficiaries in Bolivia in each year.</p> <p>iv. 5 awareness workshops for beneficiaries in Uruguay in each year.</p> <p>v. 29 awareness workshops for beneficiaries in Spain in each year.</p>		

Objectives	Indicators	Verification methods	Assumptions
2. Business startup program			
<p>2.1. Selection of beneficiaries both in the countries of origin and in Spain.</p> <p>2.2. Training in business development techniques and support for the design of business plans.</p> <p>2.3. Individualized monitoring of each project.</p> <p>2.4. Follow-up interactive mailbox.</p>	<p>12 months into execution:</p> <p>i. first round of selection carried out in each country and in Spain.</p> <p>By the end of the second year:¹</p> <p>i. 6 training courses in Ecuador and Colombia.</p> <p>ii. 4 courses in Bolivia.</p> <p>iii. 2 courses in Uruguay.</p> <p>iv. 14 courses in Spain.</p> <p>At the end of the third year:</p> <p>i. 6 additional training courses in Ecuador and Colombia.</p> <p>ii. 3 additional courses in Bolivia.</p> <p>iii. 3 additional courses in Uruguay.</p> <p>iv. 14 additional courses in Spain.</p> <p>At the end of the fourth year:</p> <p>i. 6 additional training courses in Ecuador and Colombia.</p> <p>ii. 3 additional courses in Bolivia.</p> <p>iii. 2 additional courses in Uruguay.</p> <p>iv. 16 additional courses in Spain.</p>	<p>Semiannual progress reports</p> <p>Final report of the executing agency</p> <p>Records of participants in training events</p>	

¹ All courses with between 15 and 20 participants.

Objectives	Indicators	Verification methods	Assumptions
	v. 90 businesses started in Ecuador and Colombia; 60 in Bolivia; 45 in Uruguay; and 240 in Spain. vii. 370 businesses receiving individualized coaching. viii. inquiries from 200 businesses dealt with by means of the follow-up interactive mailbox.		
3. Channeling of remittances into productive activities			
3.1 Design, implementation, and evaluation of a financing product for the new businesses started under the project, that takes into account the channeling of remittances. 3.2 Business fund.	At the end of the first year: i. consultant in Spain hired to identify channels through which remittances can be directed into productive investments. ii. consultants in the countries hired to design a financing product for new businesses. By the end of the second year: i. the pilot financing instruments are being implemented in accordance with the agreements reached with the financial institutions.	Semiannual progress reports Final report of the executing agency	
4. Coordination of a businesses network			
4.1 Design and implementation of a virtual platform (webpage) among all the MSMEs that share a common methodology – REDEMPRESA. 4.2 Organization of a forum for entrepreneurs in each country and two in Spain.	At the end of the third year: i. virtual network of entrepreneurs established. At the end of the fourth year: i. one forum for entrepreneurs per country. ii. two forums for entrepreneurs per country.	Semiannual progress reports Final report of the executing agency	

Objectives	Indicators	Verification methods	Assumptions
5. Implementation of a project monitoring and sustainability system			
<p>5.1 Design and implementation of a database and a management, monitoring, and control system.</p> <p>5.2 Dissemination of experiences.</p> <p>5.3 Design of the sustainability strategy.</p>	<p>By the end of the first six months of execution:</p> <ul style="list-style-type: none"> i. management, information, and monitoring system for project activities developed and implemented in all countries, and baseline. <p>By the end of the first year:</p> <ul style="list-style-type: none"> i. 2 workshops for presenting progress with the project per country of origin. <p>By the end of the second year:</p> <ul style="list-style-type: none"> i. sustainability strategy designed and workshop conducted. ii. 2 additional workshops per country of origin for presenting project progress. iii. 4 publications with project outcomes published on the project website. <p>By the end of the third year:</p> <ul style="list-style-type: none"> i. 3 additional workshops per country of origin for presenting project progress. ii. 4 additional studies with the specific experiences earned in the various countries published on the project website. 	<p>Semiannual progress reports</p> <p>Final report of the executing agency</p>	

Objectives	Indicators	Verification methods	Assumptions
	<p>By the end of execution:</p> <ul style="list-style-type: none">i. 2 additional workshops per country of origin for presenting project progress.ii. one closing workshop on outcomes held in each country.iii. 4 additional studies with the specific experiences earned in the various countries published on the project website.		

VOLUNTARY RETURN MIGRATION MODEL BASED ON ENTREPRENEURSHIP DEVELOPMENT (RG-M1080)
DETAILED BUDGET

Total 4 years (48 months)

		MIF	CREA		Local Agency		Total Counterpart	Total	%
			Cash	Kind	Cash	Kind			
1.1	Mapping of the potential actors and geographical areas the project will target	32,000	7,000	-	-	-	7,000	39,000	0.6%
1.2	Project dissemination and community awareness-raising	411,700	220,000	-	-	-	220,000	631,700	9.0%
1.3	Creation of the network of institutions and local capacity building	279,800	-	100,800	-	-	100,800	380,600	5.4%
	Total Component 1	723,500	227,000	100,800	-	-	327,800	1,051,300	15.0%
2.1	Selection of beneficiaries	150,540	149,600	-	-	1,800	151,400	301,940	4.3%
2.2	Training in business development techniques, Support for the design of business plans	1,857,550	1,427,335	-	-	1,600	1,428,935	3,286,485	46.9%
2.3	Individual monitoring of each project	55,560	-	-	-	-		55,560	0.8%
2.4	Monitoring mailbox	31,800	-	-	-	-		31,800	0.5%
	Total Component 2	2,095,450	1,576,935	-	-	3,400	1,580,335	3,675,785	52.5%
3.1	Channeling of remittances into productive activities	248,000	15,000	-	-	-	15,000	263,000	3.8%
	Total Component 3	248,000	15,000	-	-	-	15,000	263,000	3.8%
4.1	Design and implementation of a virtual network among the entrepreneurs involved in the project	72,000	-	20,000	-	-	20,000	92,000	1.3%

		MIF	CREA		Local Agency		Total Counterpart	Total	%
			Cash	Kind	Cash	Kind			
4.2	Meetings of entrepreneurs	56,040	57,500	-	-	-	57,500	113,540	1.6%
	Total Component 4	128,040	57,500	20,000	-	-	77,500	205,540	2.9%
5.1.	Database and a system for management and monitoring, adapted	93,700	-	-	-	-		93,700	1.3%
5.2	Dissemination of experiences	121,600	-	-	-	-		121,600	1.7%
5.3	Project sustainability	18,000	-	-	-	-		18,000	0.3%
	Total Component 5	233,300	-	-	-	-		233,300	3.3%
NEU	National executing units	387,570	-	-	134,880	94,080	228,960	616,530	8.8%
CU	Coordinating Unit Spain	-	516,000	192,000	-	-	708,000	708,000	10.1%
	Total executing units	387,570	516,000	192,000	134,880	94,080	936,960	1,324,530	18.9%
	Evaluations	80,000	-	-	-	-		80,000	1.1%
	Audits	-	22,000	-	-	-	22,000	22,000	0.3%
	Contingencies	79,140	65,405	-	-	-	65,405	144,545	2.1%
	TOTAL	3,975,000	2,479,840	312,800	134,880	97,480	3,025,000	7,000,000	100%
		56.8%	35.4%	4.5%	1.9%	1.4%	43.2%	100%	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/06

Regional. Nonreimbursable Technical Cooperation ATN/ME-____-RG
Voluntary Return Migration Model Based on Business Capacity Development

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Fundación CREA, and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-___ with respect to technical cooperation to voluntary return migration model based on business capacity development.
2. That up to the amount of US\$3,975,000 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the technical cooperation resources of the Small Enterprise Development Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

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RG-M1080