# Remittances to Latin America and the Caribbean: Issues and perspectives on development

**Report Commissioned by the Organization of American States**

**Manuel Orozco**
**September 2004**
**Washington, DC**

## *Introduction: The Relevance of Remittances and the Goals of the OAS*

When most people think of the flow of foreign currency to Latin America and the Caribbean (LAC), they probably assume that foreign aid or investment by business accounts for most of the money arriving in Latin countries. In fact, immigrant remittances – money sent by Latin Americans living and working in other countries, most notably the U.S., to their families in their countries of origin – is the largest source of foreign capital flowing to LAC today. In 2003, Latin America received $38 billion.[1] The significance of this financial resource is therefore hard to understate. Moreover, the volume and contribution of remittances raises crucial questions regarding the details of the actual contribution to growth, and how the remittance transfers can be maximized through a range of policy options, ranging from lower sending costs to enhancing equity and employment generation.

This endeavor to better understand the nature of migrant remittances and to maximize their financial benefits is the focus of this paper. It is also a key concern of the Organization of the American States (OAS). Indeed, during the 2004 OAS's Summit of the Americas, the presidents of the hemisphere declared the need to reduce transaction costs by 50 percent in the next five years. By reducing the cost of transmitting money, more money is freed up for LAC families and communities, thus enhancing the developmental potential of remittances.

When thinking about the relationship between development and remittances, it is important to keep four premises in mind. First, these financial flows represent a significance volume with broad economic effects. Second, while remittances primarily go to the poor, remittances alone are not a solution to the structural constraints of poverty. In many and perhaps most cases, remittances provide a temporary relief to families' poverty, but seldom provide a permanent avenue into financial security. Third, in order to strengthen ways in which remittances can promote sustainable development, concrete policies need to be adopted. Fourth, any approach to remittances demands a consideration of the agents involved, particularly immigrants and their families who are responsible for this flow.

This report calls attention to the importance of implementing key policy provisions that strengthen the contact between immigrant communities and their home countries, and leverage the development potential of these flows. The first part of the report identifies the context in which remittances take place. The second part reviews the various ways in which remittances positively affect the home country economies. The third section focuses on policy problems and alternatives that link remittances to development. Governments and international institutions are increasingly studying the impact of remittances. Indeed, at the OAS's Summit of the Americas the presidents of the hemisphere declared the need to reduce transaction costs by 50 percent in the next five years. This section illustrates key issues and provides a benchmark for analysis and assessment.

## *1. The Nature and Magnitude of Remittances to LAC*

### Global and Latin Migration

Migrant financial flows reflect and reinforce the ever-growing movement of people around the globe. At the current point in time, approximately 200 million people in the world are immigrants.[2] Migration is not uni-directional from the South to the North, but occurs in various directions and in different forms, including by both manual workers as well as highly qualified professionals. In

[1] All dollar amounts refer to United States currency (USD).
[2] D oyle, Michael. "The Challenge of Worldwide Migration." *Journal of International Affairs*. Vol. 57, No. 2. New York: Columbia University School of International & Public Affairs, Spring 2004.

fact, in countries like Jamaica or Guyana, 70 percent or more of the population possessing university education reside in the United States.[3]

Until recently, immigration was predominantly perceived as something negative. Today it is recognized that its impact is more complex. Migration benefits countries that export and import labor. Migration is partly a product of but also furthers tourism, telecommunication, investment, transportation, and remittances, which contribute to financial growth. Nevertheless, migration still reflects and reinforces serious economic, social, and political problems in many cases, such as rural poverty.

Migration and remittances are a world-wide phenomenon with global consequences. The movement of remittances has grown dramatically in the last 10 years; the annual estimate is around US$200 billion worldwide. For most countries, remittances exceed the volume of foreign aid and investment.

Table 1: Relevance of remittances for each country in 2002

| Country | Annual Volume | Remittances as percentage of . . . | | | |
|---|---|---|---|---|---|
| | | GDP | Exports | Aid | Investment |
| Mexico | $9,814,400,000.00 | 3% | 6% | 7243% | 72% |
| India | $8,317,105,284.79 | 2% | 17% | 569% | 323% |
| Philippines | $7,189,243,000.00 | 7% | 20% | | 701% |
| Spain | $3,958,213,677.40 | 1% | 3% | | 151% |
| Pakistan | $3,554,000,000.00 | 5% | 36% | 166% | 447% |
| Portugal | $3,224,355,236.84 | 2% | 13% | | 580% |
| Egypt, Arab Rep. | $2,893,100,000.00 | 3% | 66% | 225% | 467% |
| Morocco | $2,877,152,600.82 | 7% | 36% | 452% | 637% |
| Bangladesh | $2,847,675,583.83 | 5% | 47% | 312% | 6233% |
| Colombia | $2,351,000,000.00 | 2% | 20% | 533% | 201% |
| Serbia and Montenegro | $2,089,000,000.00 | 14% | 92% | 108% | 372% |
| Dominican Republic | $1,939,300,000.00 | 10% | 37% | 1238% | 202% |
| El Salvador | $1,935,200,000.00 | 17% | 65% | 829% | 828% |
| Jordan | $1,921,439,046.10 | 22% | 70% | 360% | 6249% |
| Turkey | $1,936,000,000.00 | 1% | 6% | 305% | 225% |
| Brazil | $1,710,976,000.00 | 0% | 3% | 455% | 12% |

Source: World Bank "World Development Indicators 2004" CD-ROM. The source for remittances to the Philippines comes from its Central Bank.

Latin Americans have immigrated to different parts of the world, although primarily to the United States. According to the U.S. Census there were over fifteen million foreign born Latin Americans. However, there have been other migration trends in places like Canada, Japan and more frequently and recently, Europe, to Spain and Italy in particular. The table below illustrates some of the official counts of immigrants in various host countries. The actual numbers, however, may be higher. For example, according to the U.S. Census there are two million Central Americans, 800 thousand of which are Salvadoran. However, most analysts estimate Salvadoran migration to the U.S. to be up to double that number.

[3] Orozco, Manuel. "Diasporas, Development and Social Inclusion: Issues and Opportunities for the Caribbean." Washington, D.C.: Banco Mundial. Documento de políticas encomendado por el Banco Mundial, 2004e.

Table 2: Latin America and Caribbean immigrants

| | U.S.A. | Canada | Japan | Europe |
|---|---|---|---|---|
| Caribbean | 2,953,066 | 294,055 | | 60,000 Dominicans in Spain |
| Central America | 2,026,150 | 71,865 | | |
| South America | 1,930,271 | 300,000 | 254,000 (brazil) | 400,000 Ecuadorians in Spain; |
| Mexico | 9,177,487 | 36,225 | | |
| Latin America & Caribbean | 16,086,974 | 702,145 | 309,000 | 2,000,000 |

Source: U.S. Census Bureau; Canada Statistics, Canada Statistics 2001 Census, IOM, Migration from Latin America to Europe: Trends and Policy Challenges, Geneva 2003. Japan: Rosa Ester Rossini "O Novo Enraizamento: a conquista do espaço pelos nikkeis do Brasil no Japão" 2002.

**Latin America in the Context of Remittances**

The financial impact of immigrants through remittances is more complex than is generally perceived. One crucial and positive consequence of remittances is that millions of recipients are relieved from poverty. It is vital to recognize, however, that this positive impact on poverty is temporary.[4] For more permanent solutions to poverty, structural reforms regarding inequality in Latin America as well as specific policies for integration and financial democracy of the sending and receiving homes are needed.

Migration and remittances reflect to some extent the failure of governments to promote internal development of the country as well as the structure of inequality in the global economy, causing citizens to leave for other countries (and in some cases actually expelling or forcing them out) in search of better opportunities or attracted to global production centers. Latin America does not escape this reality; war, repression, social inequality, and the lack of jobs are factors the directly or indirectly push people out of numerous countries. While recognizing this negative reality, it is also important to appreciate that once the ties between the home of origin and the new land of residence are established, there are transnational relationships of great magnitude that promote contact and continuity in migration and support for families. Therefore, appropriate measures that leverage the development potential of remittances should be set in motion.

As noted, $38 billion was sent to LAC by its migrants throughout the world. This large amount was based on the combined average contribution of between $700 to $1,000 per immigrant.[5] Table 3 shows the break down of remittances received in LAC by country. Note that some countries like Guatemala and Colombia have experienced steep increases in short periods of time.

[4] This paper addresses many of the practical policy issues surrounding remittances. It is vital to underscore, however, that migration is a much bigger reality than remittances, often with enormous individual and collective human implications, in which disadvantage and dislocation predominate over advantage and integration. We note therefore, that sending remittances reflect obligations as well as costs. The emotional cost of emigration, of being separated from loved ones is compounded with the cost of maintaining day-to-day contact. The emotional proximity tied among loved ones brings a cost to cope with an everyday sense of the separation and distance. These issues are explored in numerous other forums beyond the scope of this paper.

[5] Orozco, Manuel. *Worker remittances in an International Scope*. Washington, D.C.: Inter-American Dialogue, 2003e.

Table 3: Remittances to Latin America, 2001 to 2003 ($US million)

| Year | 2001 | 2002 | 2003 |
|---|---|---|---|
| Mexico | 9,273 | 10,502 | 13,929 |
| Brazil | 2,600 | 4,600 | 5,355 |
| Colombia | 1,600 | 2,431 | 3,220 |
| Guatemala | 584 | 1,689 | 2,211 |
| El Salvador | 1,920 | 2,111 | 2,210 |
| Dominican Rep. | 1,807 | 2,206 | 2,164 |
| Ecuador | 1,400 | 1,575 | 1,657 |
| Jamaica | 967 | 1,288 | 1,426 |
| Cuba | 930 | 1,265 | 1,296 |
| Peru | 905 | 1,138 | 1,155 |
| Honduras | 460 | 770 | 862 |
| Haiti | 810 | 931 | 851 |
| Nicaragua | 610 | 759 | 788 |
| Bolivia | 103 | 104 | 340 |
| Costa Rica | | | 321 |
| Venezuela | | 235 | 196 |
| Guyana | | 119 | 137 |
| Trinidad & Tobago | | 59 | 93 |
| Belize | 42 | 38 | 74 |
| 19 countries | 26,012 | 33,822 | 40,288 |

Source: Inter-American Development Bank and Central Banks of each country.

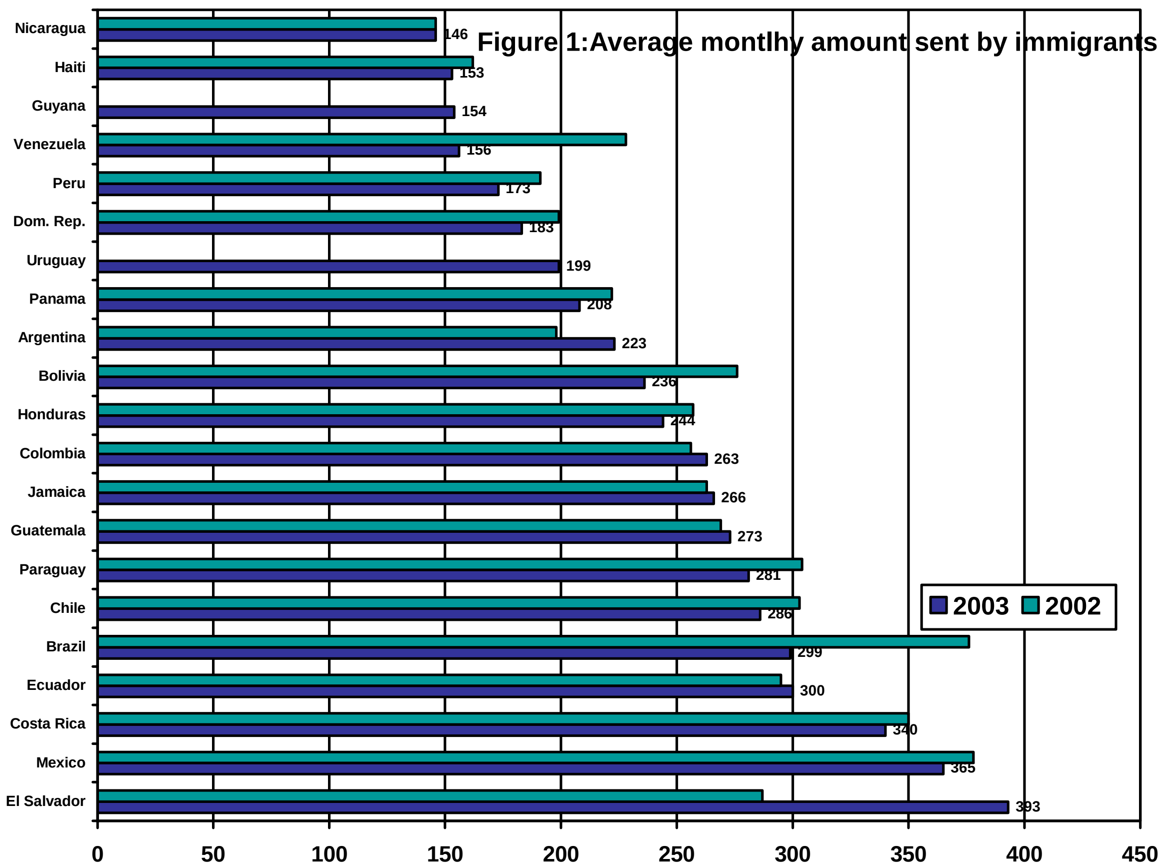
Remittances are significant for at least five reasons. First, they represent an obligation and commitment to family needs. Second, remittances result in the distribution of finances to households and sectors of the country that tend to be economically disadvantaged. Third, remittances have a macroeconomic impact, and tend not to decrease with economic downturns. Consequently, they may offset or stabilize the ups and downs of financial cycles. Fourth, these large financial transfers have the potential and capacity to generate wealth in the home and the community where they are sent. Fifth, remittances have multiplying effects, in part through furthering the “Five Ts” of global economic integration: tourism, (air) transportation, telecommunications, (remittance) transfers, and (nostalgic) trade.

**a) Benefits to households.**

One reason people emigrate is to address family economic and financial needs. The result is the development of transnational obligations to pay for the upkeep of the home, debts, and other obligations. On average, immigrants commit themselves to send over $3,000 on an annual basis, an amount that tends to represent 10 percent or more of the immigrant’s income.[6] Overall, immigrants in the United States send $280 in remittances at least twelve times a year, but these amounts vary depending on the country of origin. Among Latin Americans, Mexicans, Brazilians, and Costa Ricans send the most, while Peruvians, Haitians, and Nicaraguans send the least.[7] Mexican immigrants on aggregate send about 22 percent (nearly $400 a month) of their income.

[6] According to the 2000 U.S. Census, over 40 percent of Latinos earn less than $20,000 a year and over 70 percent earn less than $35,000 a year (U.S. Census Bureau 2000).

[7] Income variations may explain the differences in amounts sent. For example, 48 percent of Nicaraguan households in Miami had incomes below $25,000 a year, with an average of $1,821 a month (Fernandez-Kelly and Curran, 2001, 136).




Source: National Money Transmitters Association

In both urban and rural areas, recipient households spent the vast majority of remittances on basic needs, that is, everyday expenditures and consumption. Most households use the money to cover living expenses.

The destination of the resources goes to immediate family members. Specifically, siblings and parents are most likely to receive the money. They are not the only beneficiaries of the remittance, but are rather the main administrators of foreign income.

Table 4: Administration of remittances

| Type of expense | Guatemala | Honduras | El Salvador | Mexico | Ecuador |
|---|---|---|---|---|---|
| Living Expenses (mortgage, rent, food, utilities) | 68% | 77% | 84% | 70% | 60% |
| Savings | 11% | 4% | 4% | 7% | 8% |
| Business investment | 10% | 4% | 4% | 1% | 8% |
| Education | 7% | 10% | 4% | 6% | 2% |

Because Nicaraguans send an average of $146 a month, remittances represent just under than 10 percent of their income. Furthermore, according to the U.S. Census, per capita household income among Dominicans in New York and the United States is $9,069 and $11,013 respectively (Rivera-Batiz 2002). In contrast, note the recent research identified on the following page which identifies a correlation between numbers and dependents and amount sent.

| | | | | | |
|---|---|---|---|---|---|
| Other items | 3% | 3% | 2% | 3% | 18% |
| Property Purchase | 1% | 2% | 1% | 1% | 4% |
| Unknown/Left Blank | 0% | 0% | 2% | 11% | 1% |
| Total | 100% | 100% | 100% | 100% | 100% |

Source: Multilateral Investment Fund-Inter-American Development Bank, *Receptores de Remesas en Mexico*, Octubre 2003; *Receptores de remesas en Guatemala, El Salvador y Honduras*, Septiembre 2003; *Receptores de Remesas en Ecuador*, Mayo 2003. Washington, DC: MIF-IADB/FOMIN-BID.

Table 5: Remittance Beneficiary

| | Guatemala | Honduras | El Salvador | Mexico | Ecuador |
|---|---|---|---|---|---|
| Children | 12% | 16% | 15% | 11% | 14% |
| Sibling | 42% | 32% | 31% | 35% | 28% |
| Spouse | 9% | 9% | 6% | 9% | 13% |
| Parent | 19% | 27% | 27% | 19% | 29% |
| Other | 19% | 16% | 22% | 17% | 15% |
| Unknown/Left Blank | 0% | 0% | 0% | 10% | 1% |
| Total | 100% | 100% | 100% | 100% | 100% |

Source: same as table 4

In fact, according to a recent survey carried out in thirty states of the United States, immigrants' commitment to support their families depends more on the number of beneficiaries than on the income they earn in the United States.  The figure below shows how the average amount sent by immigrants increases with the number of people that will benefit from the remittance.[8]

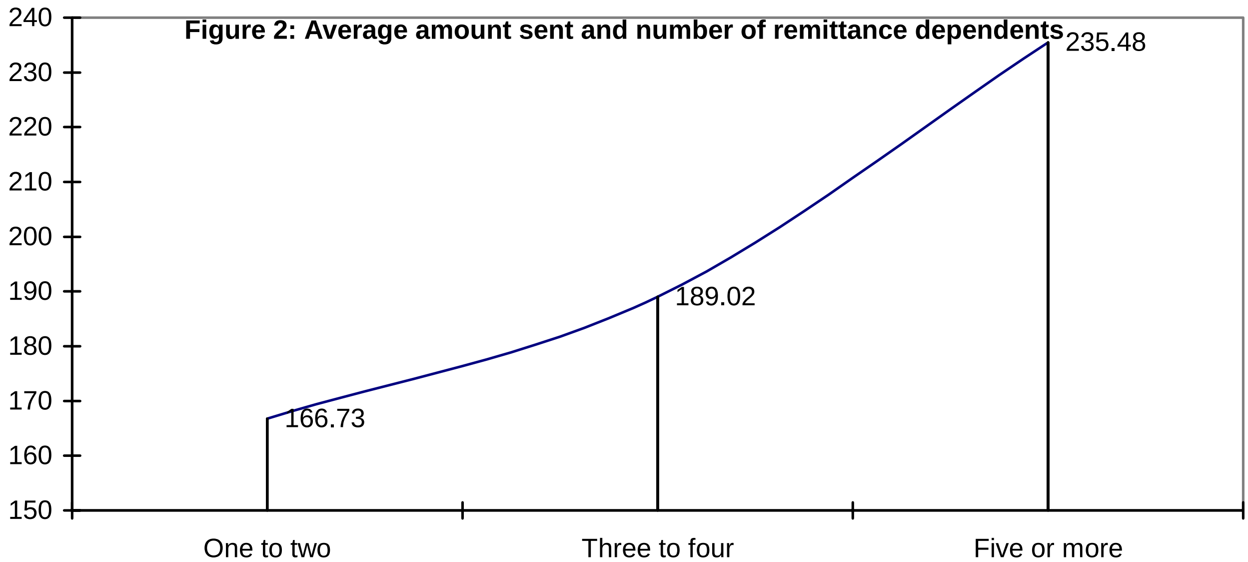


**Figure 2: Average amount sent and number of remittance dependents**

**b) Redistributive effects**

Latin America's long standing history of income inequality and the consequent income maldistribution is a key reason for the region's poverty.  Remittances have become a coping mechanism to deal with this poverty and distorted income distribution. Indeed, a fundamental attribute of remittances lies in their distributive nature; these monies go directly to many of the homes (and more occasionally, communities) of low income and poor citizens.

[8] Multilateral Investment Fund-Inter-American Development Bank, *Survey of Latino Remittances from the United States to Latin America by U.S. State*. Washington, DC: MIF-IADB, May 2004.

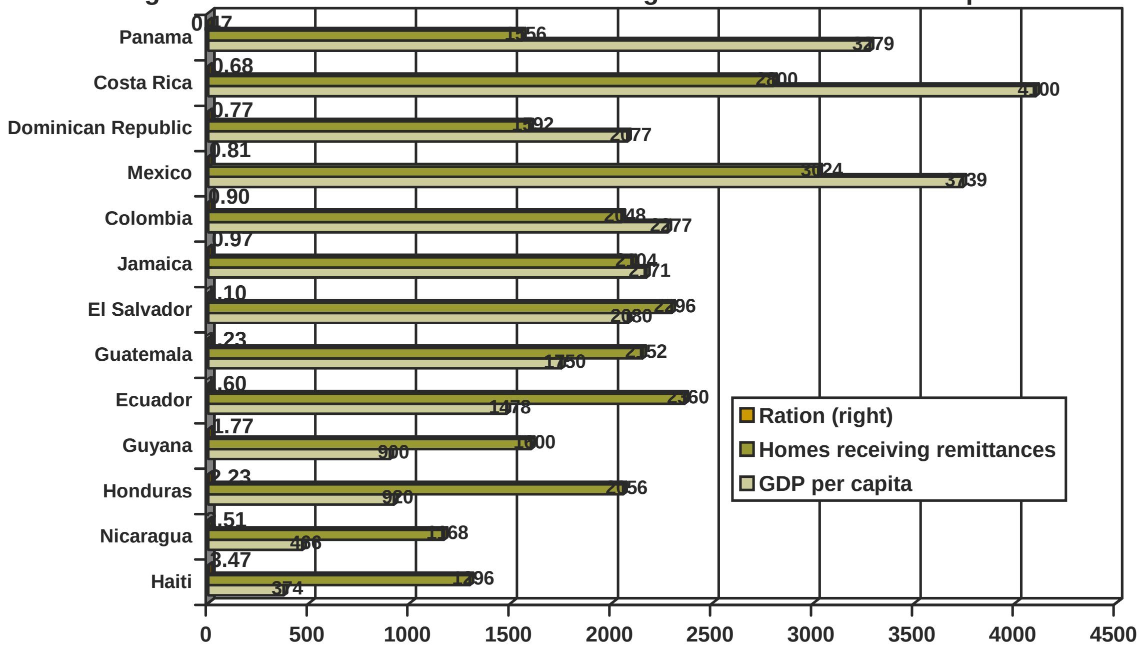
One way this redistributive effect can be seen is by comparing the incomes of households receiving remittances to average national incomes. Homes that receive remittances generally receive the equivalent of the Gross Domestic Product per capita in Latin America. Given that less than 20 percent of Latin Americans receive the equivalent to per capita GDP, immigrants are dramatically improving the condition of their relatives, who may represent over 10 percent of the population.

Table 6: Per Capita GDP, Income Distribution, and per Capita Remittances

| Country | Annual per capita GDP ($) | GDP per capita of poorest 20% ($) | GDP per capita of poorest 40% ($) | Remittances per capita[a] ($) |
|---|---|---|---|---|
| Panama | 4020 | 181 | 390 | 440 |
| El Salvador | 2113 | 112 | 218 | 361 |
| Dominican Republic | 2514 | 85 | 206 | 257 |
| Paraguay | 1167 | 61 | 125 | 177 |
| Guatemala | 1755 | 81 | 163 | 176 |
| Nicaragua | 714 | 30 | 64 | 147 |
| Mexico | 5922 | 420 | 640 | 132 |
| Ecuador | 1489 | 77 | 153 | 129 |
| Honduras | 929 | 43 | 86 | 127 |
| Costa Rica | 4074 | 204 | 428 | 78 |
| Colombia | 1820 | 64 | 153 | 70 |
| Bolivia | 902 | 44 | 81 | 39 |
| Brazil | 2834 | 94 | 204 | 30 |
| Venezuela | 4079 | 175 | 408 | 10 |
| Argentina | 4220 | 219 | 388 | 6 |

*Source:* World Bank, *World Development Indicators* (Washington, DC, 2003). Various years in late nineties.

**Figure 3: Remittance Income for Receiving Homes and GDP Per Capita**




Another indication of the redistributive nature of remittances is seen in its geographic scope. At least thirty percent of the money arrives into rural Latin America, in which the population is overwhelming poor. In the Mexican case, 10 predominantly rural Mexican states account for the majority of emigration. The Encuesta sobre Migración en la Frontera Norte de México (EMIF), published in 1994, showed that over 75 percent of all migrants leaving Mexico originated from 10 states.[9] Similarly, the top 10 remittance receiving states – Guanajuato, Jalisco, Michoacán, San Luis Potosí, Guerrero, Zacatecas, el Distrito Federal, el Estado de México, Chihauhua and Durango – receive over two-thirds of all remittances sent to Mexico, as shown in the table below.[10]

Table 7: Top Ten Migrant Sending States and Top Ten Remittance Receiving States in Mexico

| State | Percentage of Total Migrants[a] | Percentage of Remittances[b] |
|---|---|---|
| Guanajuato | 17.9 | 13.7 |
| Michoacan | 10.9 | 11.2 |
| Distrito Federal | 7.5 | 4.5 |
| San Luis Potosi | 7.4 | 5.8 |
| Jalisco | 6.9 | 11.4 |
| Coahuila | 6.3 | .. |
| Durango | 5.7 | 3.4 |
| Chihuahua | 5.2 | 3.6 |
| Zacatecas | 4.5 | 4.5 |

[9] El Colegio de la Frontera Norte. "Problemas y Perspectivas de las Remesas de los Mexicanos y Centroamericanos en Estados Unidos," manuscrito inédito, El Colegio de la Frontera Norte: Departamento de Estudios Económicos. México: 2002, 30.
[10] Torres, Federico. "Las Remesas y el Desarrollo Rural en las Zonas de Alta Intensidad Migratoria en México," Naciones Unidas: Comisión Económica para América Latina y El Caribe (CEPAL). México: 2001

| State | Percentage of Total Migrants[a] | Percentage of Remittances[b] |
|---|---|---|
| Guerrero | 3.5 | 4.9 |
| Estado de Mexico | .. | 3.8 |
| Total | 75.8 | 66.8 |

Sources: El Colegio de la Frontera Norte. "Problemas y Perspectivas de las Remesas de los Mexicanos y Centroamericanos en Estados Unidos," Unpublished Manuscript, El Colegio de la Frontera Norte: Departamento de Estudios Económicos. Mexico: 2002, p. 30; Torres, Federico. "Las Remesas y el Desarrollo Rural en las Zonas de Alta Intensidad Migratoria en México," Naciones Unidas: Comisión Económica para América Latina y El Caribe (CEPAL). Mexico: 2001, pp. 3, 27-28. [a] 1993-1994; [b] 2000

In El Salvador, the departments which lose the highest percentages of their populations to migration - San Vicente, Cabañas, Chalatenango, Morazán, La Unión and Sonsonante - share characteristics with their Mexican counterparts. Notably, they are predominantly rural, are the most ecologically deteriorated, have the lowest standards of living, and lack significant infrastructure.[11] Significantly, the geographic distribution of the remittance receiving households in Mexico and El Salvador is similar. Thus, rural households in each country make up a significant percentage of all remittance recipients.

Table 8: Percentage of Remittance Receiving Households in Rural and Urban Areas, 1996

| | Mexico | El Salvador |
|---|---|---|
| Urban | 54.3% | 60.5% |
| Rural | 45.7% | 39.5% |

Sources: El Colegio de la Frontera Norte. "Problemas y Perspectivas de las Remesas de los Mexicanos y Centroamericanos en Estados Unidos," Unpublished Manuscript, El Colegio de la Frontera Norte: Departamento de Estudios Económicos. Mexico: 2002, p. 36; García, Juan José. "Las Tendencias de la Migración en El Salvador," FUSADES-PNUD, 1998, p. 10.

Migration and remittances patterns in Nicaragua are also worth noting. Migration from Nicaragua is predominantly to the United States from Managua and to Costa Rica from more rural parts of the country. In a nationwide study conducted in June 2001, 42 percent of those living in Managua reported having a relative abroad, compared to 35 percent in the Pacific region and 29 percent from North-Central Nicaragua. The majority of those reporting outside Managua had relatives working in Costa Rica, whereas those living in Managua had relatives primarily migrating to the United States.[12]

**c) Macroeconomic and counter-cyclical effects**

From the macroeconomic point of view, remittances have acquired as much importance as exports, traditionally considered the most important rubric of Gross Domestic Product. In some years, remittances to El Salvador exceeded total exports, and in the Dominican Republic and Nicaragua, remittance volumes are more than half the value of exports. El Salvador has come to depend heavily on remittances and has executed national policies to attract it. Even in large economies like Mexico's, remittances are of singular importance: they are equivalent to 10 percent of total exports and over 80 percent of foreign direct investment.[13]

Table 9: Remittances and macro-economic indicators

| Year | As % of GDP (2002) | As % of Exports (2002) |
|---|---|---|
| Haiti | 33% | 333% |
| Nicaragua | 29% | 127% |

[11] García, Juan José. "Las Tendencias de la Migración en El Salvador," FUSADES-PNUD, 1998.

[12] Orozco, Manuel. "Oportunidades y Estrategias para el desarrollo y el crecimiento a través de las remesas familiares a Nicaragua." Washington, D.C.: Diálogo Interamericano, 2003d.

[13] Orozco, Manuel. "Globalization and Migration: the Impact of Family Remittances to Latin America," in *Latin American Politics and Society*, (Summer 2002), V. 44, n.2

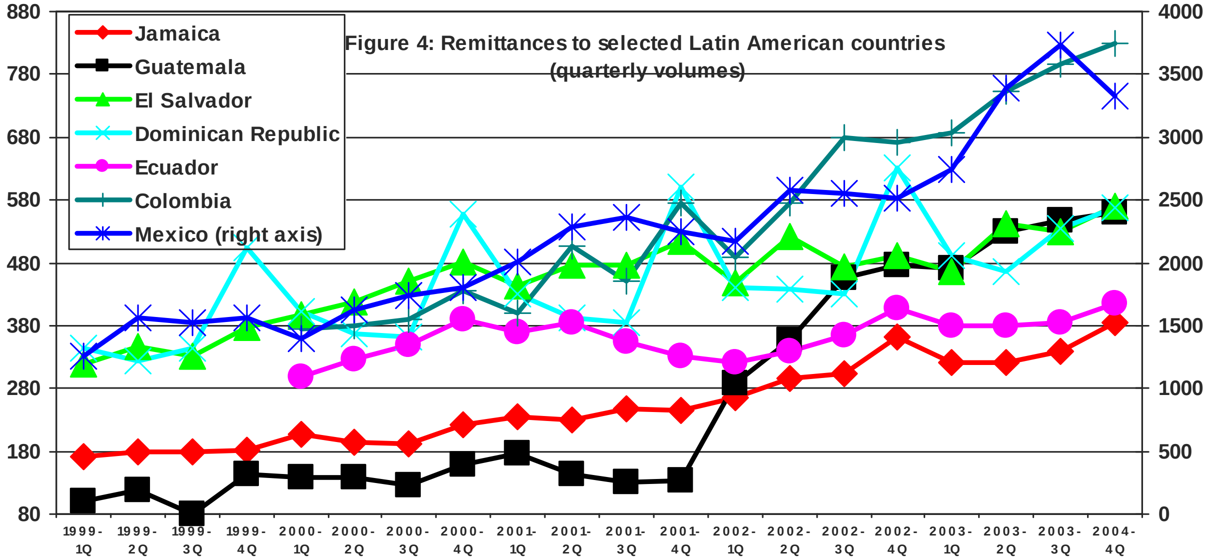
| Year | As % of GDP (2002) | As % of Exports (2002) |
|---|---|---|
| Jamaica | 23% | 117% |
| El Salvador | 18% | 71% |
| Honduras | 16% | 61% |
| Guyana | 16% | 24% |
| Dominican Republic | 11% | 43% |
| Guatemala | 9% | 76% |
| Ecuador | 7% | 31% |
| Mexico | 3% | 7% |
| Colombia | 2% | 20% |
| Peru | 2% | 15% |
| Brazil | 1% | 8% |
| Bolivia | 1% | 8% |
| Costa Rica | 1% | 4% |
| Venezuela, RB | 0% | 1% |
| Cuba | NA | 84% |

Source: World Bank "World Development Indicators 2004" CD-ROM.

Additionally, remittances provide an almost counter-cyclical trend to the economy over an extensive period of time.[14] Despite the global economic recession and its impact on the United States, remittances have continued, even and in spite of growing unemployment among the U.S. Hispanic community. While the Latino/a rate of unemployment rose from 6.3 percent in the United States in 2001 to 7.3 percent in 2002 and 8.3 percent in 2003, the amount sent continued growing in a normal manner and even rose for some countries. The trend whereby remittances continue at the same rate or event rise in times of economic downturns is particularly important for the receiving country.[15]

[14] Ratha, Dilip, "Worker remittances: an important and stable source of external development finance", in *Global Development Finance*, 2003. Washington, DC: The World Bank, 2003.

[15] The Dominican Republic is a useful case to illustrate and explain macro-economic determinants of remittances. For a full analysis of this issue see, Manuel Orozco, "Determinants of remittance transfers: The case of the Dominican Republic, January 1999 to September 2003,"




Source: Central Banks of each country.

**d) Remittances and finances**.
Central to remittance transfers is their connection to and with financial institutions. In turn, financial institutions serve a vital function in offering development potential. Remittances necessarily involve at least an indirect relationship with banking institutions: remittances always pass through banks at some point. Remittances thus have at least two forms of development possibility: as a financial flow to enable important life-enhancing expenditures, and as a means to connect people and banking institutions. Indeed, access to conventional financial services like banks and credit unions play a vital role in creating and expanding economic citizenship.

The importance of remittances as a potential tool to bank the unbanked is vital. Only fifty percent of Latinos in the U.S. have bank accounts, and the numbers of Latin Americans in their home countries who are banked are significantly lower, especially among the poor. The lack of banks and bank accounts has a host of negative implications, from higher transmitting costs of remittances to lack of credit for home ownership or investing in productive enterprises. The opposite is true: people who have bank accounts are likely to improve their financial situation and enhance their economic citizenship in both the U.S. and Latin America.

The contribution of remittances to enabling financial citizenship is indicated by the finding that remittance recipient households in Latin America have a higher rate of having bank accounts than non-remittance recipient households (see table below). One explanation for this trend may be that when households accumulate savings, they seek more efficient ways to mobilize these and resort to financial institutions. Another possible explanation is the influence of family in the U.S. which is now more familiar with financial institutions. Other studies have also shown that remittance recipient households save more than those who do not receive remittances (Andrade-Eeckoff).[16] This observation underscores the importance of appropriate policies to promote banking; savings rates would likely increase and opportunities for lending could be made available in local communities.

---

[16] Andrade-Eeckoff, Katharine. *Mitos y Realidades: un análisis de la migración internacional de las zonas rurales de El Salvador*. San Salvador: FLACSO, 2003.

Table 12: People with bank accounts (remittance recipients and non-recipients)

| | Guatemala | Honduras | El Salvador | Mexico | Ecuador |
|---|---|---|---|---|---|
| Recipients | 41% | 34% | 31% | 19% | 46% |
| Non-Recipients | 17% | 16% | 19% | 16% | 34% |

Source: Same as table 4.

**e) Multiplying effect of remittances**

Remittances also have a multiplying effect on the economy. In practice, what this means is that the increased flow of money into the economy from remittances contributes more than its actual or original value to that economy, because when that money is spent (usually) or saved or invested (less often), it results in more money available throughout the economy, leading to an overall expansion in economic health. In other words, the multiplier effect is a positive and disproportionate change and enhancement in spending and financial flows.

In order to measure the particular effects of remittance flows on employment and economic productivity, economists explore the portion of expenditures of remittances spent on household consumption. In German Zarate's study of remittances and the Mexican economy, he concludes that remittances seem to flow to mostly small rural municipalities that are linked to more dynamic economies through the goods and labor markets, where the main beneficiaries are urban and rural businesses. Therefore in the macroeconomic perspective, rural areas that receive remittance flows tend to have ripple effects on the urban economic centers as consumption increases and therefore demand is boosted for goods and services produced in urban areas.[17] An earlier study by Massey and Durran had arrived to similar conclusions stressing that the multiplier effect could be as high as $4; that is, for every 'migradollar' that enters a local economy it generates $4 in demand of goods and services (Massey and Durrand, 1996).[18]

An additional way in which the multiplying effect of remittances may be appreciated is in terms of more varied and diffuse economic consequences, termed here as the '5 Ts'. These 5 Ts -- transfers, telecommunication, tourism, (nostalgic) trade, and (air) transportation – are discussed in greater detail below, with particular reference to globalization. It is also important to recognize, however, that some of these 5 Ts also represent a multiplying effect of remittances. This phenomenon is perhaps most notable in nostalgic trade, because immigrants in the U.S. (and other host countries) buy consumer products made in their country of origin, and in some cases in their communities of origin. At a more diffuse level, home country jobs in the fields of areas like telecommunications and air transportation have had to expand to respond the demand created by emigrants and their spending.

**Remittances as part of a process: globalization and the 5Ts**

Remittances constitute a significant component of how countries are inserted into the global economy through their migrant communities. Remittances are not only about the behavior of individual migrants, but are part of the process whereby nations are further integrated into the global economy. In this current wave of migration, immigrants are agents globalizing their home countries.

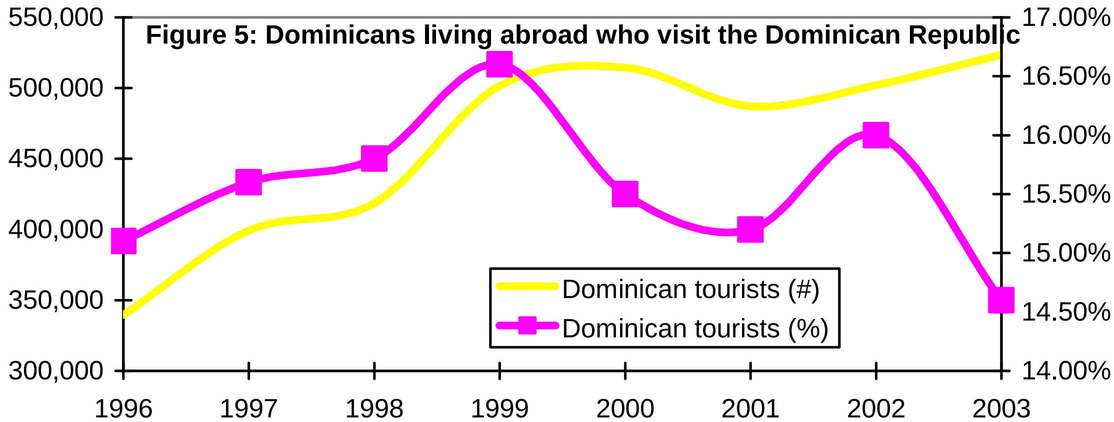
This economic integration within a world economy has occurred in large part through labor migration and has activated what we refer to as the 5Ts of economic integration: remittances transfers (as discussed above and throughout this paper), tourism, air transportation,

[17] Zarate, German, "The multiplier effect of remittances" 2004.
[18] Durrand, Jorge, Emilio A. Parrado and Douglas Massey, "Migradollars and Development: A Reconsideration of the Mexican Case" in International Migration Review Vol. 30, No. 2, 1996.

telecommunications, and nostalgic trade. These elements have opened business and investment opportunities that have expanded trade and investment.[19]

**a) Tourism**

The connection between immigrants and their country of origin constitutes an ongoing process. One facet of this enduring connection is that emigrants at one point in time become tourists to their country of origin at a later point. For instance, large numbers of tourists to and within the Dominican Republic, El Salvador, Honduras, Nicaragua, and Mexico include former nationals who live abroad. Many of the tourists to El Salvador, for instance, are Salvadorans living in the United States. Their stays average more than two weeks, and their spending averaging $50 a day. Likewise, Nicaraguans travel frequently to Managua and bring with them consumer goods and hardware. About five hundred thousand Dominican expatriates, or about 20 percent of tourists to the Dominican Republic, return annually, spending $650 per visit. Likewise, about 20 percent of annual tourism to Mexico are Mexicans returning to their home communities, often to small towns for Patron Saint festivals, Christmas, and other commemorations. In all, these visits involve spending or leaving billions of dollars in the countries of origin.[20]




Source: Banco Central de la Republica Dominicana

**b) Air transportation**

The use of air transport is also of great economic importance. Grupo Taca, an airline which operates in Central America, has 15 daily flights from the United States to El Salvador and more than 70 percent of its passengers are Central Americans. There are at least two direct flights a day from Chicago to Zacatecas, from New York to Puebla, and from Los Angeles to various interior Mexican cities. Air traffic has increased extensively among those countries; there are many airlines operating in the region and competing among themselves. From John F. Kennedy airport alone, annual flights transport some 140,000 people from Santo Domingo and another 95,000 from Miami.[21]

**c) Telecommunications**

Telephone calls are another fundamental aspect of the connectivity that affects the countries' economies. Immigrants make around 120 minutes per month in calls to relatives abroad. These amounts translate into millions of dollars that benefit the companies and the telecommunication

---

[19] Orozco, Manuel. "Worker remittances, transnationalism and development," ponencia presentada en la conferencia internacional *Migrant Remittances: Development Impact, Opportunities for the financial sector and future prospects*. Londres, 9 y 10 de octubre, 2003 (h).

[20] ----- "Attracting Remittances: Market, Money and Reduced Costs." Documento de trabajo encomendado por el Banco Interamericano de Desarrollo, Fondo de Multilateral de Inversiones, 2002 (b).

[21] ibid

infrastructure. Between 50 to 80 percent of earnings generated through telephones come from home to home calls made by immigrants.[22]

**d) Nostalgic Trade**

Finally, there is nostalgic trade. Around 70 percent of immigrants consume products from their country of origin: tortillas, coffee, rum, tamales, and sweets, among others. The volume of nostalgic products exported to the United States from various countries of Latin America has come to represent some 10 percent of total exports.

In addition to exports of these goods, remittance recipient households have a demand of U.S. goods. The values and information transmitted by immigrants to relatives translates into imports.

## 3. Sending Remittances: Market Conditions in the U.S.

The value of remittances is not fully realized because of a series of problems in both the U.S. and LAC. Some of the problems are distinct for the U.S., and some are distinct to the LAC, or countries within in. There are also, however, important areas of overlap between U.S.-based and LAC-based impediments to ensuring full value from remittances. These problems include the high costs of sending, underutilization by savings and credit institutions, limited competition, lack of accounting, and inadequate or absent leverage of its potential in local communities. These are harms of a transnational nature, that is, they affect both sender and recipient and occur in both countries of origin and of destination. Importantly, however, these problems can and should be addressed through a series of policy changes.

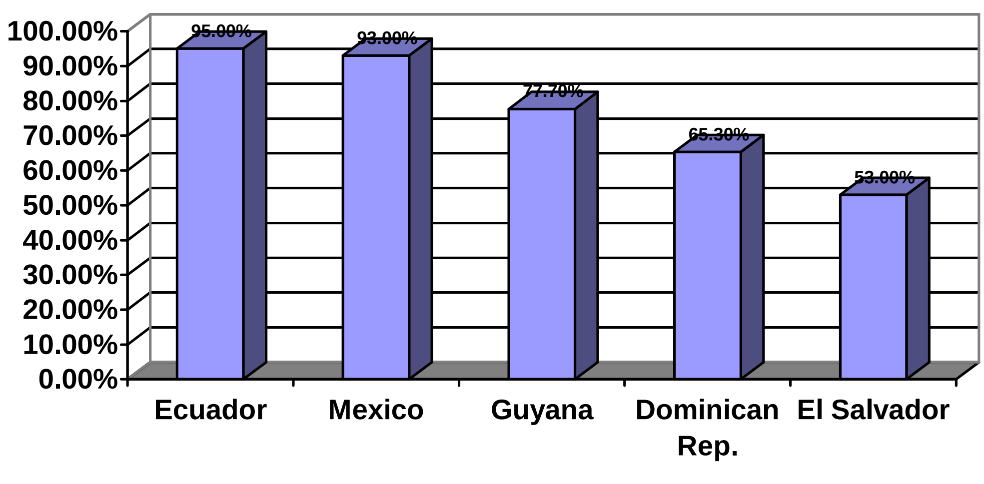
**a) Costs**

While the greatest cost of migration is almost certainly emotional and familial, the financial cost of sending monies is also extremely important. As explained above, immigrants frequently send significant amounts of money, generally once a month, typically in amounts ranging from $150 to

Source: Orozco, Manuel. *Distant but close*....

$400, depending on the group. These amounts are a considerable percentage of income for these mostly low wage workers.

**Figure 6: Percentage of Immigrants Who Import Nostalgic Products**

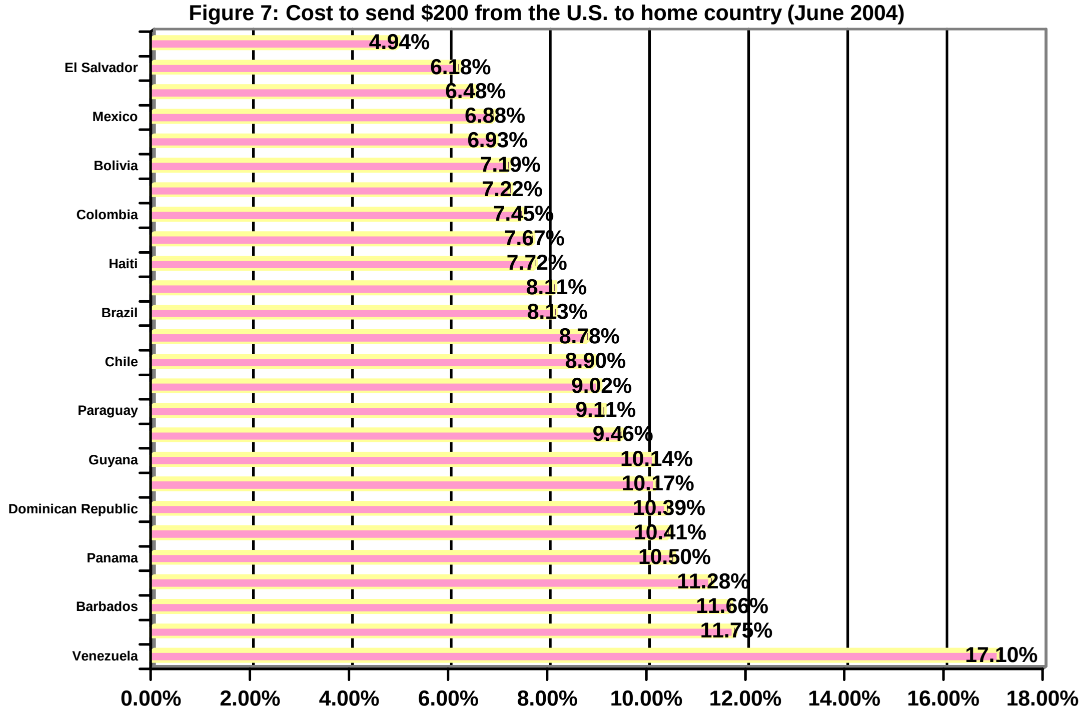



[22] Orozco, Manuel (2004b), *Distant but close: Guyanese transnational communities and their remittances from the United States.* Diálogo Interamericano, Washington, DC.

To get this money to their families, most immigrants use some form of intermediation, whether formal or informal. These intermediaries include money transfer agencies, small businesses, banks, or even individual entrepreneurs. Using intermediaries, a necessity for most senders, has costs associated with it. Costs of sending typically range between four and 10 percent of the value sent. This cost is expensive, especially considering that more economic and value added options exist, such as the use of savings and credit institutions or debit cards, as noted later in the discussion of policy alternatives (Changes ?).

The cost of sending remittances generally reflects two components; a fee to send the money plus a commission on the exchange rate of the quantity converted into local currency. The former is mostly applicable to examining U.S. policy issues, and the latter is more relevant for policy considerations in LAC, and is discussed in the applicable section below. The figures below show total average transfer costs to send remittances to 23 Latin American and Caribbean countries from the United States. The numbers refer to information based on data gathered from the 50 largest companies operating in the different countries in the Western Hemisphere. Figure 7 refers to the cost of sending $200 (about 40% of immigrants send $200), and figure 8 shows the cost of sending the average amount sent for particular countries.

**Figure 7: Cost to send $200 from the U.S. to home country (June 2004)**




Source: data compiled by the author. see methodology at end of document

Figure 8: Cost to send from the U.S. average amount to home country (June 2004)

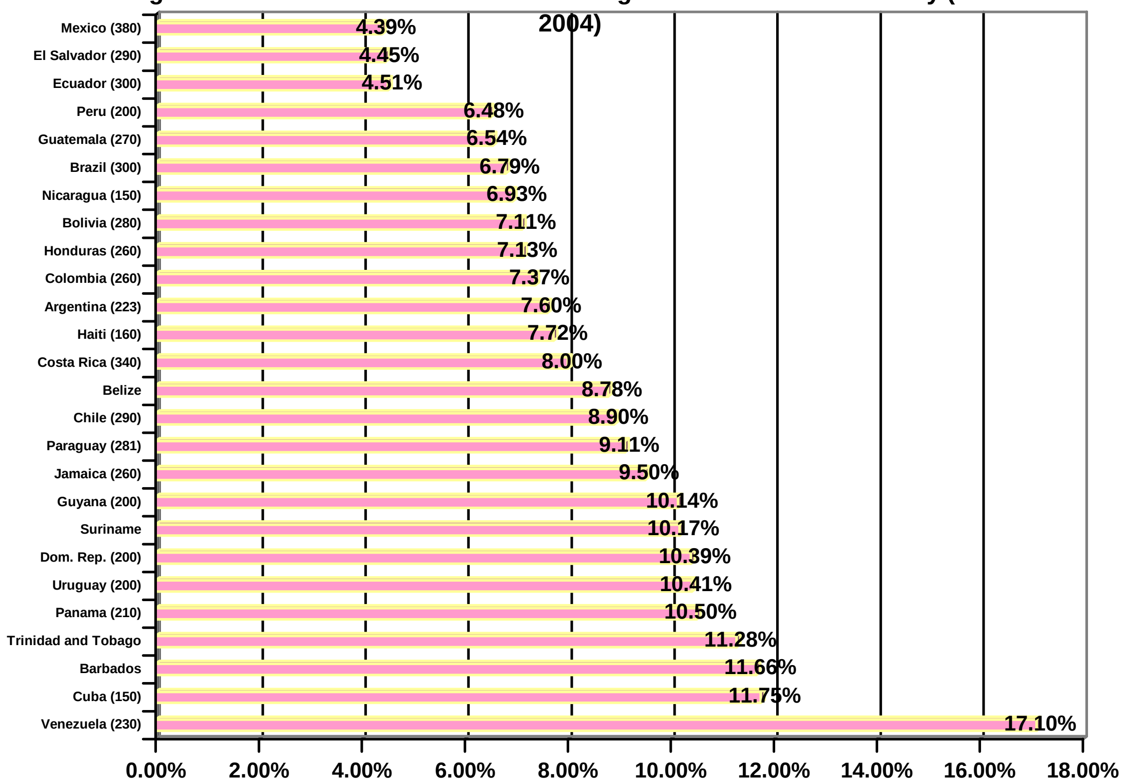
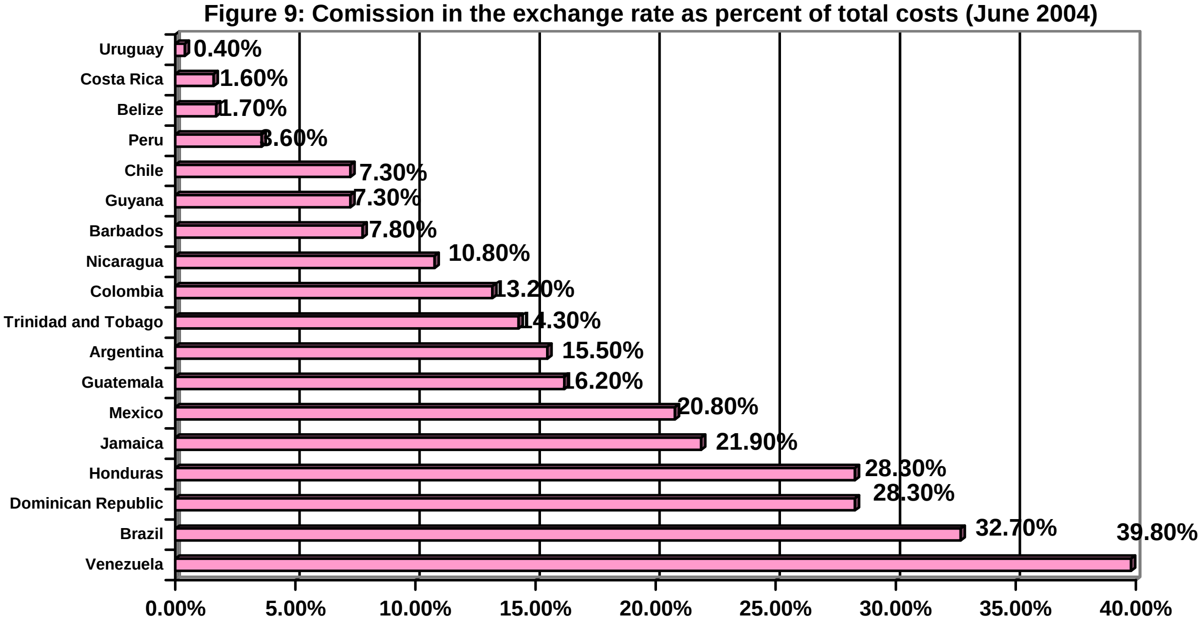
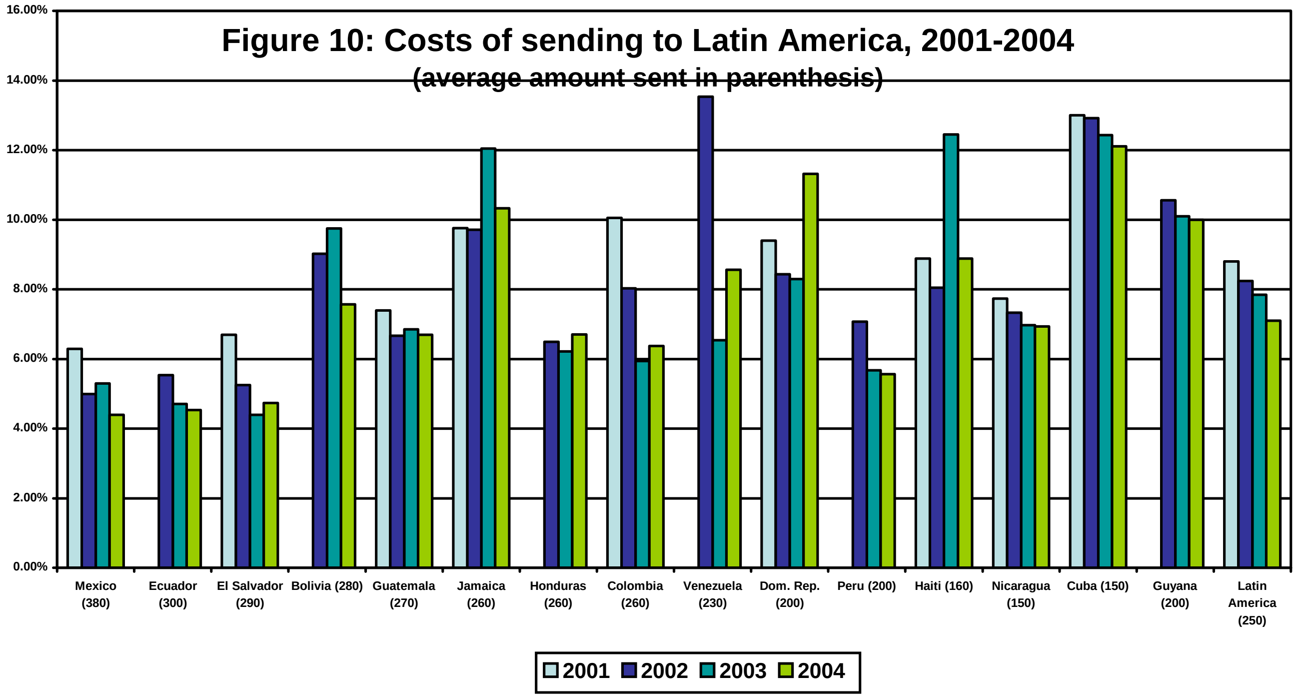



Figure 9: Comission in the exchange rate as percent of total costs (June 2004)



Historically, the U.S. remittance sending market built on whatever was available to immigrants. Money transfer companies, especially Western Union, or informal methods of remitting were often the only avenues available for many people and countries. People paid higher sending costs because there either were no viable alternatives or they had no means (e.g. transport, bank accounts) of accessing those alternatives.   Five years or more ago, it was more difficult and more costly to send money to relatives: some companies charged up to 20 percent of the principal sent, and in many cases they did it through a very unfavorable exchange rate of the dollar against national currency.

It is worth emphasizing that the costs of sending money have been falling slowly over the last five years.  Competition, legal demands and consumer protests, Congressional investigation in the United States into abuses against immigrants, criticism from the Inter-American Development Bank, and the work of some research centers have worked together to result in a reduction in the costs of sending money.  The graphic below shows how the costs have been diminishing, although at very small rates.[23]




Competitors are increasing in numbers and are seeking market share by lowering prices.  One way to measure competition in remittance transfers is by looking at variations in prices among companies.  Where companies compete through pricing, the variance between the highest and lowest numbers usually is closer to the mean value.  The chart below shows the standard deviation of prices (as a percent from sending $200) among various companies remitting to four Latin American and Caribbean countries.  As the chart shows, the standard deviation has decreased and most companies offer similar fees for sending to the same country. The Dominican Republic is an exception and reflects the foreign currency crisis in the country rather than increased manipulation by companies.

23 Orozco, Manuel (2004d), *The Remittance Marketplace: Prices, Policy and Financial Institutions* Washington, DC: Pew Hispanic Center. June.

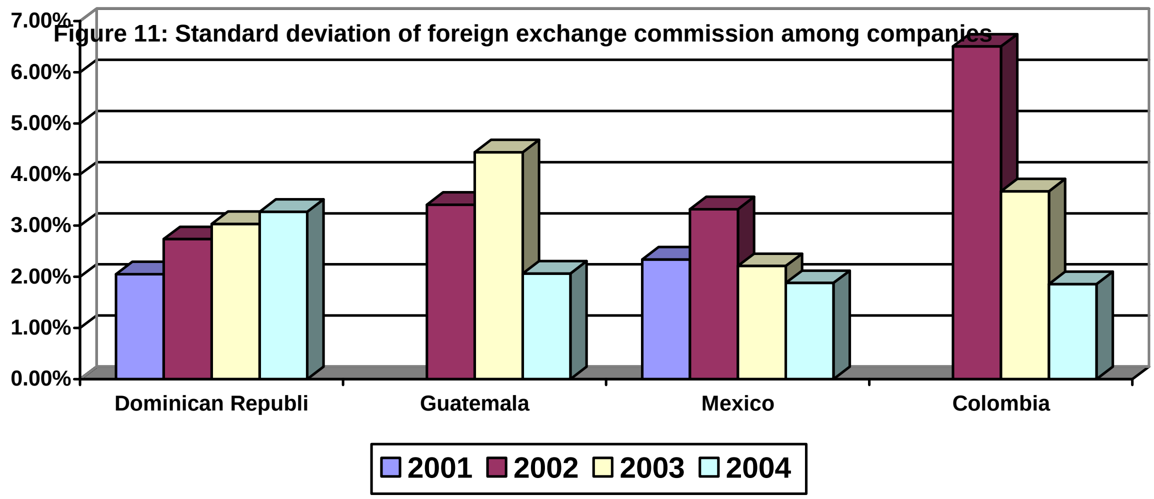



**Figure 11: Standard deviation of foreign exchange commission among companies**

Source: data compiled by the author. see methodology at end of document

**Savings and credits**

Although there is, sooner or later, an inherent relationship between remittances and finance, in practical terms there is still limited participation of financial institutions, traditional or non-traditional. It is important to recognize that at least 50 percent of immigrants in the United States lack access to banking due to language problems, education, the lack of offers to bank the unbanked, discrimination, or because they think they don't need it because they will return to their country soon, even if they do not. The effect is that individuals are kept outside the financial environment without access to savings, credit and opportunities for investment, large or small. The poor as much as the rich want to save and have access to credit, but poor people and ethnic minorities suffer from lack of access to financial services. Thus, banking the unbanked is a fundamental element of personal development.[24]

## 4. Sending Remittances: Market Conditions in the LAC

**Costs and Limited Competition**

One area where conditions in the U.S. and LAC overlap or influence each other regards levels of price competition to send money from the U.S., as influenced by conditions in the sending country. An important reason for high transfer costs from the U.S. is the lack of competition in the international money transfer market. Latin America and the Caribbean can be classified into three different market sectors in relationship to their competitive position, namely mature, consolidating, and underdeveloped. The classification depends on different factors such as a company's level of market concentration, efficiency in transfers, its regulatory position, the diversity of players, and company costs.

Most Latin American countries are still in a consolidating or underdeveloped stage, except perhaps for Mexico. In Mexico, remittance market competition has lowered costs significantly, there is capital for investment, no regulatory problems exist, and old and new players coexist in the market. (There is a significant balance between supply and demand.)

In a consolidating market, three trends are observed; expansion, consolidation, and innovation. Traditional players face shifting dynamics as the sending market becomes increasingly concentrated and consolidated. Concentration occurs mostly from the consolidation of firms by

[24] Orozco, Manuel (2004d), *The Remittance Marketplac. . .*

enlargement (expanding networks) or purchase of already existing businesses or agents. The demand side still faces an industry seeking to offer a more cost efficient transfer, and investment is driven into innovation in the market (offer of store value cards, debit cards, wireless internet technology, among others). The majority of Latin American and Caribbean countries are in the embryonic stages of competition. There is a relative presence of informal markets, governments do not regularly enforce the laws requiring business to report their transactions, market concentration is pronounced, innovation is perceived as risky by investors, and small competitors have few chances to compete.[25]

In addition to the fees applied to send money, the commission in the exchange rate is a significant cost incurred by immigrants and their relatives. In some countries, particularly when foreign currency crises or shortage in foreign currency occurs, the commission may represent a large part of the cost. Within the region, as in the case of remittances from the Dominican Republic to Haiti, Costa Rica to Nicaragua, Argentina to Bolivia, and Venezuela to Colombia, costs are also expensive.[26] For example, costs to send remittances to Nicaragua to Costa Rica, are about 10%.[27] In addition to the problem of costs is the lack of consumer protection if senders or recipients face abusive practices by the intermediaries. In particular, in most of the Western Hemisphere there is no consumer rights institution investigating sending or receiving money transfers.

**Savings and credit**

Banking the unbanked is also a serious concern and challenge in Latin America. For example, less than 20 percent of Mexican adults have access to bank accounts (see chart x above). In most of the world, banks are reluctant to cultivate the poor as customers. There are many reasons for this dearth of banking the poor: relatively low profit margins, perceptions – often unrealistic – of risk, and lack of incentives from or requirements by governments. This general trend is to some extent exacerbated in Latin American, where banks traditionally concentrate on serving the agro-exporting elite, many of whom created their own banks. An Inter-American Development Bank study found that “Financial markets are sub-developed in Latin America and the blame goes beyond the history of inflation and financial instability. Weak institutions that support credit are also to blame.” In fact, the study maintains that less than five percent of small businesses receive loans from commercial banks, and even small savings and credit cooperatives and microfinance institutions that emerge to fulfill the demand for financial services do not have a sufficiently comfortable portfolio: it is one percent below what commercial banks possess in Latin America.[28] The final result has been that average citizens, and especially those with low income, have not had access to financial services, not have banks sought them out. In fact, the deficiencies in financial institutions constitute a principal source of inequality.

**Measurement and macro-economic issues**

Another problem that has received limited attention refers to the lack of measurement of how much money is going to Latin America and the Caribbean. Some countries like Mexico have improved their ability to measure but others are still lagging behind. Two examples are Nicaragua and Guyana, where there are inconsistencies or incomplete recordings of the flows of money going to these countries.[29] Central Banks face difficulties in measuring or accounting the

---

[25] Orozco, Manuel (2004d), *The Remittance Marketplac. . .*

[26] Fagen, Patricia y Bump, Micah, Remittances regionally en *Beyond Small Change: Making Migrants' Remittances Coun*t, Washington, DC: IADB-Harvard University Press, 2005

[27] Orozco, Manuel. “Family Remittances to Nicaragua: Opportunities to increase the economic contributions of Nicaraguans living abroad,” Diálogo Interamericano. Informe encomendado por el Departamento de Agricultura de E.E.U.U. Washington, D.C., 2003 (b).

[28] IPES, 1998/1999: *Facing Up to Inequality in Latin America*, September 1999. Washington, DC: IADB.

[29] Orozco, Manuel, “Family Remittances to Nicaragua: Opportunities to increase the economic contributions of Nicaraguans living abroad,” Diálogo Interamericano. Informe encomendado por el Departamento de Agricultura de E.E.U.U. Washington, D.C., 2003 (b); and “Distant but Close:

money or enforcing existing regulations and businesses involved in transfers. The problem of the gap between what is transferred and recorded is illustrated with the experience of Guatemala. In 2001 remittances to Guatemala were identified by government officials as less than $600m. But in 2002 Guatemala identified remittances with a value of $1.5bn. This enormous increase mostly reflected an improvement in the accounting mechanisms.

## 5. Public Policy Implications

An overriding policy change that is necessary for both the U.S. and LAC, and one which has begun to be realized, is the need for policy makers – government, nongovernmental, and business – to recognize the link between remittances and finance, and the subsequent potential for leveraging that relationship. Bluntly put, all remittances (as financial flows) involve banks at some point or another, whether directly or very indirectly, and therefore should be away to ensure senders and recipients take advantage of the financial services and status banks allow. In practice, however, most remittances are not sent by bank account holders through their banks, nor are they deposited in the recipients banks. This invisibility of banking hurts senders and recipients in both the short and long term, and hurts banks and economic development in the short and long terms.

One way to improve and expand policy alternatives is to learn from cases where success in pulling together banking and remittances has been achieved. This following section identifies such examples based on the recommendations presented in previous reports and studies on best practices, particularly from the *All in the Family* report released by the taskforce on remittances and development.[30]

**Public Policy Implications for the U.S.**
For sending countries, most notably (but not exclusively) the United States, the following proposals and examples are noted:

1. *Expand the acceptable forms of identity used by banks:*
Contemporary banking relies on certifying the identity of clients and others, through means like driver's licenses or passports. This presents a problem for certain immigrants who don't have papers of their host country, and are therefore unable to seek full economic participation in society, despite working to that society's benefit. One solution that is already being used to address this problem is for banks (and other institutions) to accept consular identification from the immigrant's country and consulate of origin.

Consular identification is an instrument that provides basic information certifying that the person is an immigrant of a given nationality. This form of identification has proven useful in attracting immigrants into financial institutions and allowing them to obtain driver's licenses. U.S. banking institutions have found a new stream of capital from this immigrant population. Furthermore, the card enables an immigrant to have a recognized economic identity, which facilitates interaction with certain other institutions.

The consular identification card increases overall community safety and is used by banks in conjunction with a utility bill, driver's license, or a statement certifying physical residence in a given area. For banks and community leaders, the consular identification has offered new opportunities to individuals and communities. Pamela Voss of the First Bank of the Americas – created in 1998 and serving Mexican communities – stresses that the consular identification card

---

Guyanese transnational communities and their remittances from the United States." Informe encomendado por la Agencia para el Desarrollo Internacional de E.E.U.U.; AID. Washington, DC: 2004 (b).

[30] IAD (2004), *All in the family: Latin America's Most Important International Financial Flow*, Washington, DC, January. Report presented by the comission on remittances and development.

is an instrument that allows access to financial institutions. "Immigrants lacking bank accounts often fall prey to check cashers and payday lenders".[31]

From the U.S. perspective, the two major sets of objections to these cards are a principled concern that such cards legitimize illegal immigration and a practical concern that the U.S. and its security agencies are not verifying the information in these documents or that these documents do not provide for secure identification. One reply to the principled objection is that the US wants and uses the labor of undocumented workers, and therefore has an obligation to offer them associated economic rights. Responding to the practical concerns, Mexico is an example of a country that has sought to make its card very secure and reliable.

The Mexican consular identification card has sophisticated features to ensure that it is a secure and reliable form of identification. It contains a holographic seal printed over the photo, an infrared information band and messages readable through a decoder.[32] The card can work as an instrument to better identify money senders. Moreover, accepting the consular identification promotes traceable transfers. With prevailing tracking tools that detect money transfers, the ID expands information about the sender. The consular identification card has enabled an individual laborer to have fair access to the market economy and to avoid abuse by financial predators. It is a basic form of recognizing one's identity: As one immigrant noted, "Part of human dignity is the right to identify yourself."[33]

*2. Promote savings and credit financial institutions to become more "user-friendly" and accessible to immigrants*:

U.S. banks increasingly realize the significance of remittance transfers and their relationship to immigrant deposits in banks. However, there remains much work to accomplish in order to bring immigrants into savings and credit institutions. A number of methods have been proposed for banks to reach out to unbanked individuals, particularly immigrants.

- Fee-based check-cashing services at friendlier operating hours;
- Basic savings accounts including low cost money orders for long distance payments;
- Deposit accounts designed to help accumulate savings;
- Deposit secured loans to individuals whose credit histories would make them ineligible for mainstream credit;
- Partnerships with community based organizations to create social bridges (Caskey 2001, 85).
- Have Latino or Spanish-speaking staff and educating bank staff about cultural diversity.
- Banks "should explore opportunities to provide needed services such as obtaining tax identification numbers, secured credit cards, life and health insurance, and individual development accounts" (Klim and Gresham-Jones, 2001).

These strategies and others would help to build confidence among unbanked customers to encourage them to establish relationships with banks.

Importantly, it is not only in immigrants' interest that banks improve their accessibility. Kelderhouse points out that the Latino community has $452 billion in purchasing power, which

[31] Jackson, Ben, "Legal, political risk in ethnic marketing" *The American Banker* February 14th, 2003, p.1.

[32] The card is an important means of identifying people boarding planes or entering buildings. Moreover, the consular ID fills a void in circumstances where a minor incident could become more serious due to a lack of identification. For example, the police will benefit by having a recognized form of ID when dealing with immigrants. This latter issue is important because police in some cities will not release a person arrested before a court appearance on minor charges without an acceptable form of identification. Sachs, Susan, "New York, citing security, rejects Mexican ID cards" in *The New York Times*, December 28th, 2002, Section B; p. 4, Column 1.

[33] Song, Jason, "Mexican cards give sense of identity" *The Baltimore Sun Company*, November 12, 2002. p.1B.

banks should be seeking.[34] Indeed, one of the main motivations for banks' involvement in the remittance market is to attract Hispanic customers. According to Bloomberg, Wells Fargo, Bank of America Corp., Citigroup Inc. and other U.S. banks "plan to spend at least $8.5 billion through 2005 to attract Hispanic customers as revenue from investment banking and corporate lending lag."[35] Some community banks have led the way and provide examples of success cases.

*3. The CRA and remittances*

The federal Community Reinvestment Act (CRA) is another means to encourage banks to provide remittances and thereby lower costs as well as bank the unbanked. The CRA has historically provided a model to encourage banks to enter new areas and actively seek out new customers. Enacted in 1977, the CRA is designed to encourage banks to provide depository services and lend credit to low- and moderate-income neighborhoods. The legislation requires that banks serve these needs of the entire communities in which they are based.

Government regulations focus on the evaluation of banks' performance in three areas: lending, investment, and service, and creates a test for each that is then translated in a rating. Key to this act is that banks can improve their CRA record through joint efforts with community groups to invest in neighborhoods. Community-based nonprofit organizations focusing on issues of economic development – specifically increasing a community's wealth through home-mortgage and small business loans – have emerged in recent years. Through the investment and service tests of the CRA, banks have developed relationships with various groups that in the long run strengthen the bank's presence in the community and possibly improve the future lending market. Specifically, the service test encourages banks to provide investment advice.

The CRA has now modified a provision on remittances a part of a financial service. Banks entering the remittance transfer business in low income areas can now improve their CRA ratings because they would be fitting the service to the community test, which demonstrates the bank's concern with banking individuals while offering an additional financial service demanded by the community.

*4. Link financial literacy to the value of remittances*

Financial education is a key factor in enabling individuals to decrease the costs of sending remittances and to expand their economic opportunities. Governments, philanthropic foundations, nonprofits, and banks, all play a role. Banks can take a lead by publishing their materials in Spanish, and by organizing outreach programs at Hispanic high schools and with hometown associations.

Financial education is a central aspect to the link between remittances and financial services, particularly among those without access to a banking institution. Many groups already offer classes on financial literacy, and could become a permanent community resource for financial education. Hometown associations, because of their links with the immigrant community, would be another other logical candidate for further promotion of financial literacy.

*5. Disclosure*

One of the problems in transaction costs has been that immigrants are often unaware of the full costs they incur in sending remittances. The solution is to require or promote full disclosure on pricing as a consumer right. Disclosure includes providing information about the fee, the commission on the exchange rate, reporting the exchange rate used by the company and noting any other charges that an immigrant has to incur.

*6. Banks and remittances: some innovations and success cases*

[34] Kelderhouse, 2002, "Banking Latino Immigrants: A lucrative market for progressive financial institutions", *Bridges*, Autumn 2002. St. Louis Federal Reserve Bank

[35] Scott Silvestri, "Citigroup, Wells Fargo Buy and Build to Attract Hispanic Savers", *Bloomberg*, January 15, 2003,

A growing number of U.S. banks have already entered the remittance market through money transfer technologies, often based on the use of debit cards. So far, these new players are primarily concentrating on the Mexican market and maintain a small market share (probably less than 5 percent). The most widely publicized case of a bank entering the remittance business is *Wells Fargo*.[36] Although *Wells Fargo* initiated a program in 1996 targeting the transfer of remittances to Mexico, in 2001 it fully released its product, *Intercuenta Express*, charging $10 for amounts under $500. Since then Wells Fargo has innovated its product and only recently reduced its transfer cost by 20% and expanded its alliances with banks in Mexico. In addition to Wells Fargo there are more than sixty banks have become involved in remittance transfers, including *First Bank of the Americas, Banco Popular, Citibank, Elgin State Bank, Bank of America, and Harris Bank*.[37]

Community banks have also been keen on targeting ethnic minorities and Latino migrants in particular. In North Carolina, the Southern Community Bank and Trust has sought to attract Latinos by offering a range of financial services, including remittance transfers. The bank has four branches staffed with bilingual employees and has been able to attract 1,022 Hispanic customers in Winston-Salem in less than two years. Hispanic accounts represent 5 percent of the total in the bank and show rapid growth. The bank offers checking and savings accounts, certificates of deposit, low-cost wire-transfer services, and home and car loans.[38]

In Atlanta, the United Americas Bank is also targeting the Latino community and is becoming a competitor of mainstream commercial banks like Citibank and Bank of America. Jorge Forment, President of the United Americas Bank, argues that if banks want to grow, “they better try to get a foothold into the Hispanic market.” His bank has focused on the Latino community by offering money transfers and other traditional banking services. The bank started with $12 million in capital, and now has assets worth $71 million. United Americas Bank financed a mall called Plaza El Bigote, worth $1.4 million.[39]

Other examples of community banks profiting from and benefiting migrant communities exist in Chicago and also among credit unions. The Latino Community Credit Union (LCCU) in North Carolina offers transfers to Mexico and Central America. It not only offers low remittance charges but also provides important services to the Latino immigrant community. Latinos in the area generally do not have bank accounts. The credit union thus provides an alternative to the community by inviting them to open checking accounts with low deposits of $25 (as opposed to $500 or $1,500 in most banks). Moreover, this particular credit union uses the remittance fee charges to provide other free services and lending opportunities to its members.

In Milwaukee, Mitchell Bank has introduced an innovative approach to attract traditionally ‘unbanked’ migrant groups into the institution. CEO James Maloney opened a branch called Cardinal Bank at a predominantly Hispanic high school. The bank is managed by students and offers a range of opportunities to students and their parents. The immediate effect of this outreach strategy has been an increase in the number of Mexican immigrants opening bank accounts, resulting in a higher demand for local goods in the area.

---

[36] *The Tampa Tribune*, May 22, 2002; *Associated Press*, May 22, 2002; *Business Wire*, October 27, 1997, July 11, 1996.

[37] Business Wire, July 30, 2002, April 23, 2002; The American Banker, May 9, 2002, April 24, 2002; PR Newswire, May 9, 2002; The Financial Times, May 28, 2002, April 29, 2002;

[38] Sturiale, Jeanne, “Opening Doors” *Winston-Salem Journal*, November 25, 2002

[39] Chapman, Dan, “A boom in banks: Financial institutions catering to immigrants are giving U.S. chains a run for their money” *The Atlanta Journal-Constitution*, October 22, 2002. p.1F

## 6. Public Policy Implications for LAC.

Changes in policy and practice by government, businesses, and nongovernmental organizations are necessary in LAC as well as in the U.S. Many of the changes that need to occur in the U.S. also need to happen in LAC.

*1. Disclosure and monitoring of money transfers*

Recipients of remittances too are often unaware of the costs of receiving money, particularly the commission retained from the exchange rate. Adding to this problem is that in LAC, there are few consumer rights institutions for recipients to turn to get help or advocate for changes. Therefore, LAC countries and their civil societies need to increase education, advocacy, and regulation of remittance receiving institutions. One approach may be for government or non-governmental organizations to issue report cards on money transfers receivables.

*2. Motivate banks through tax and other rewards to reach out to remittance senders and recipients*.

LAC banks need to reach out to and target average and low income customers in general, and remittance recipients (individuals and households) in particular. Very few banking institutions target remittance recipient households as customers, despite their potential as clients and their ability to increase the bank assets. Banks can capture the more than 200 million in remittances they transfer by inducing customers to have bank accounts to save the money not spent. In the case of El Salvador, a strategy that brings 20 percent of customers to their bank would mean $40 million in the financial stream. Retaining fifty percent of the remittances as bank accounts would represent an asset increase of at least five percent in the top four banks in the country ((*Agrícola, Salvadoreño, Comercio,* and *Cuscatlán*). These four banks also have remittance operations in the U.S. and each bank attracts between 10 and 15 percent of the $2 billion dollars in remittances that enter the country. Moreover, as Banco Salvadoreño has done, the regular flow provides incentives for securitization. (Other countries in which banks participate directly in the remittance market include Mexico, Guatemala, the Dominican Republic, and Jamaica.) Banks traditionally stress that targeting low income markets have greater costs than profits. However, in countries where remittances are received and recipients' savings ratio are higher than national averages, setting up appropriate banking services should allow bank revenues will exceed costs.

Table 13: Top 10 Banks in El Salvador

| Bank | Assets in 2001 (in US dollars) | Branches in the U.S. |
|---|---|---|
| Agricola S.A. | 2,546,526,000 | BancoAgricola, branches in California and Washington |
| Cuscatlán de El Salvador S.A. | 1,931,919,000 | New York |
| Salvadoreño S.A. | 1,405,586,000 | BanSol, branches in California and Washington |
| De Comercio de El Salvador, S.A. | 923,568,000 | Bancomercio branches in California and Washington |
| Scotiabank El Salvador, S.A. | 401,220,000 | |
| Hipotecario de El Salvador S.A. | 253,488,000 | Works with Western Union |
| Capital S.A. | 237,593,000 | |
| Credomatic S.A. | 205,365,000 | |
| De Fomento Agropecuario | 172,439,000 | Works with Western Union |
| Citibank N.A. | 165,366,000 | |

Source: Estrategia y Negocio, Diciembre 2001 – Enero 2002.

Currently a very small percentage of remittance recipients have bank accounts, yet remittance receiving households have a demand for financial services. Individuals and families receiving remittances often visit banks to cash remittances, pay bills, and perform other financial operations; recipients also seek to save and mobilize their savings for investment in small business development or for personal or household improvement. Three steps should be taken to cultivate this clientele. First, banking institutions (commercial, community banks, and credit unions), should offer bank accounts to a broader spectrum of the population. Second, banks should offer remittance receiving households small business loans that are backed by the remittance received. Third, banking institutions in local markets can activate economic growth by offering loans and credit to entrepreneurs in the community.

Many of the strategies bank in the U.S. could or are using to reach immigrants could be employed LAC. These include establishing low maintenance small operating branches, like “mini-bancos” or “bancos ambulantes,” with a primary role of cashing remittances but at the same time offering other basic services, thus creating trust in customers. “Starter” deposit accounts (Caskey 2002, 6), ‘saving-building’ accounts which offers favorable interest rates to relatives living abroad, and using debit cards are all additional strategies.

In addition to banks and other financial institutions needing to change approaches, LAC governments also need to increase their role to enhance remittances and their direct and indirect value to recipients and the country, and in some cases are beginning to do so. Tax incentives and other policies of the state can and should be used to create incentives for the private sector to move in particular directions, like opening branches in rural areas, banking the unbanked, or creating alliances with local and foreign remittance companies. Government can create incentives for banks to link up with already existing economic services, such as social security, insurance, personal savings, and investment.

However, there exist other roles for government. First, in most countries a major problem lies in fully accounting for the amounts received in remittances. The recent economic crisis in Argentina illustrates this situation. The number of people leaving Argentina grew dramatically and resulted in people sending money to their families; the country is possibly receiving at least $200 million and the Central Bank officials have no methodology to estimate how much money has entered (interview with Central Bank official at the Balance of Payments office). Second, governments can stimulate banking institutions to attract remittance receiving households as well as migrant capital in the form of dollar deposit accounts, loans, and other packages such as insurance.

*3. Allow and enable credit unions, micro-finance institutions, and popular banks as remittance agents and deposit holders.*

Banks are by no means the only or even the most important set of financial institutions which can, should, and in some cases are already capitalizing on remittances. Alternatives to banks are especially important in rural Latin America, to where a significant portion of remittances flow. In Haiti, Nicaragua, and Honduras, at least 50 percent of remittances go to rural areas. In Mexico, sixty percent of remittances arrive to four states which are predominantly rural, and 27 percent of the remittances go to rural areas with populations under 2,500 inhabitants (Torres 2001).

Despite the large remittances flows to rural areas, traditional and commercial financial institutions are generally absent. One consequence is that costs of receiving remittances in rural areas is often more expensive. In most places, rural sector remittances not only take longer to arrive, but households spend time picking the money received in more commercial towns and cities, further away from their homes.

One solution to the dearth of rural financial institutions is to significantly expand the use of finance institutions already operating in the areas, such as micro-finance institutions and credit unions. In addition to creating a more accessible banking system in Latin America, the participation of alternative financial institutions throughout remittance receiving areas, such as community banks, savings and credit cooperatives, and micro-finance businesses, is critical. These institutions provide access and outreach to lower income communities and isolated rural areas that large commercial banks have traditionally ignored.

Credit unions and micro-finance institutions are well suited for this opportunity and to benefit remittance recipients. Associations of microfinance institutions in Latin America have hundreds of offices and branches throughout each country. In the case of Nicaragua, for example, one-third of these institutions are located outside the capitals of each department, and two-thirds are in the capital cities with links to remittance receiving households in remote areas.[40]

By virtue of their geographic breadth, microfinance institutions are ideal to work as remittance agents in the rural and urban areas where banks are not active. Moreover, because remittance receiving households demand financial services, microfinance institutions could fill a void. Therefore remittances are already connected to savings mobilization in many countries.

Through using micro-finance institutions and other smaller and non-traditional alternatives to banks, remittance receiving households can not only save a portion of their money, but use remittances to play an investment and insurance function. In the case of investment, immigrants send money back home with the specific purpose of acquiring some investment opportunity. Immigrants buy land, materials to work the land or seed to plant. A recent study on micro-enterprises to Mexico showed that remittances were responsible for 27 percent of the capital invested in micro enterprises in Mexico, and 40 percent of the capital in the major remittance receiving areas of the country.[41]

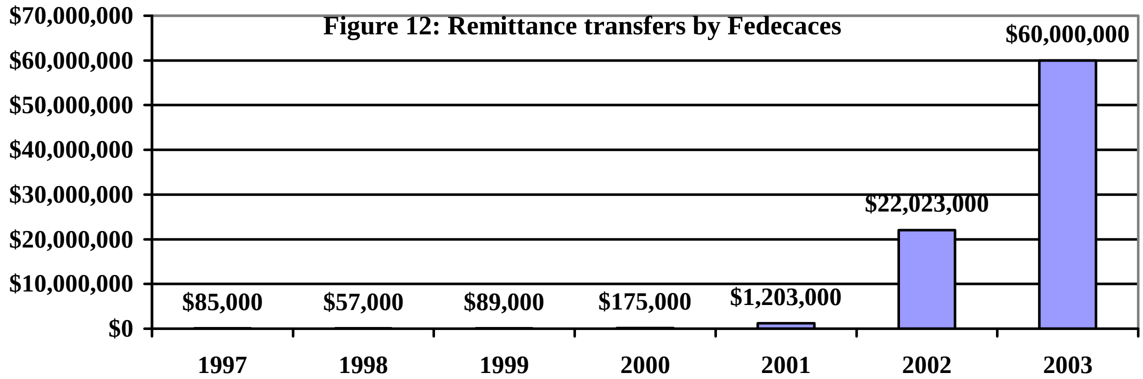
In Mexico, one successful microbank operates in the Mixteca region in Oaxaca, Xuu Ñuu Ndavi (Money of the Poor People). The residents in this indigenous town have relatives living abroad and remitting money home. Of the $170,000 received in remittances after the first year of operation, the microbank's 168 members (83 of whom are women) accumulated $160,000 in savings. The experience of this bank demonstrated that remittance receiving households have a propensity to save, and to do so in financial institutions, in this case, microfinance banks. Key to the success of this and similar microbanks is their level of trust with the local population.

Savings and credit cooperatives have more initiatives and outreach to remittance senders and recipients than typical banks. In 1994, the Federation of Salvadoran Savings and Credit Cooperatives (FEDECACES) initiated the IRnet system, which provides international wire transfers among credit unions, in alliance with the World Council of Credit Unions. This initiative originally faced limitations due to lack of resources. In particular, it required developing computer software that would allow for a more efficient money transfer system that could operate throughout their branches and member institutions. The Inter-American Development Bank, however, provided assistance to address some of their limitations. As a result, the program has been able to attract clients into its money transfer system that encompasses 26 points of service in El Salvador, in addition to its central offices and the participation of 18 cooperatives.

FEDECACES' relationship with other financial institutions underscores arguments this report makes about best practices and the advantages of enabling environments that facilitate flows, customer empowerment, and related economic and social benefits. Originally, FEDECACES would only transfer remittances from a U.S. based credit union such as L.A.-based Comunidades. In order to expand its service in the United States, it then arranged to send money through three money transfer companies; Vigo International, Rapid Money, and Viamericas, all companies which charge lower prices than their business competitors. FEDECACES' remittance service tripled from the moment in expanded its activities to include the money transfer companies.

[40] Orozco, Manuel. "Family Remittances to Nicaragua: Opportunities to increase the economic contributions of Nicaraguans living abroad," Report commissioned by the US Department of Agriculture, Washington, D.C.: Inter-American Dialogue, 2003 (b).
[41] Woodruf, Christopher, and Rene Zenteno, "Remittances and Micro-enterprises in Mexico," unpublished manuscript, 2001.

Prior to this expansion, between January and September 2001, FEDECACES transferred $483,068. Because of its new expanded reach, remittance transactions in the last three years have grown significantly to represent 5 percent of market share.




Source: FEDECACES officials' interview, January 2004.

FEDECACES is significant because it is an alternative savings and credit institution with a commitment to work with low income households as well as to operate in rural areas.

*4. Promote the adoption of new technologies for the poor.*
One can not ignore the role of technology in reducing transaction costs and improving financial access to the unbanked. Technology, such as computer software and hardware have improved the conditions of the poor. First, are electronic cards which offer different uses such as debit cards for use in retail stores as well as in banking and other institutions. Second, another kind of technology is Wireless Internet Fidelity, WiFi which uses radio towers and connect computers through the internet. This connection facilitates electronic trasnsfers in areas where no phone access exists. WiFi also allows telephone access via internet, a condition that improves services in rural communities with immigrant groups. A micro-finance system managing WiFi technology can improve the conditions in a rural community, offering remittance transfers while providing telecommunication services. Low income people, or people at the 'bottom of the pyramid', as Prahalad refers them, are "more willing to adopt new technologies becaue they have nothing to forget. Moving to wireless from nothing is easier than moving form a strong tradition of efficient and ubiquitous landlines."[42]

## 7. Implications for alliances among U.S. and LAC banks, money transfer companies, and other financial institutions

A very important strategy to reduce costs, while at the same time banking individuals, consists of promoting alliances between U.S. and LAC banks, money transfer businesses, credit unions, and even micro-finance organizations. Such alliances reduce costs at various levels, most importantly in the commissions to agents. Community banks in the U.S. interested in targeting the Latino community as a new customer base can forge a partnership with money transfer businesses that posses the technology and infrastructure to transfer remittances. Simultaneously, the money transfer business can save money by not paying high commission fees to agents distributing the money. In the United States there exist several important alliances between banks and money transfer operators. Some of these include the alliance between Wells

[42] Prahalad, C. K., *The Fortune at the Bottom of the Pyramid: eradicating poverty through profits*, Wharton School Publishing 2005.

Fargo and Bancomer Transfer Services, Harris Bank Montreal and BTS, the World Council of Credit Unions and Vigo Corporation, MoneyGram and United Bank.

A growing number of Latin American banks are also forging alliances with money transfer operators in the United States. One example of such an alliance is between King Express, a business transferring remittances to Guatemala, and Banco Industrial, a Guatemalan bank. Guatemalans living in the United States send money through King Express at a preferential exchange rate, and relatives in Guatemala can receive it immediately at any Banco Industrial branch. Furthermore, through Banco Industrial, individuals can open savings accounts in quetzals or dollars. Those living in the United States are provided with a debit card that can be used to access these accounts at any ATM.

Some Latin American banks have established branches in the United States, usually operating solely as money transmitters without offering other banking services. The expenses and regulatory issues inherent in the U.S. banking system have precluded most Latin American banks from opening full branches in this country. Are there solutions to this limitation? Three solutions to this are the formation of alliances among banks in the U.S. and Latin America, the efforts of U.S. banks with Latin American branches to offer remittance transfers, and third, the formation of alliances between money transfer operators and Latin American banks.

Traditionally, few Latin American banks have made alliances with their U.S. counterparts. This is changing, however, as financial ties in the hemisphere grow. Specifically, bank to bank relationships can be enhanced through money transfer agreements in specific regional areas, which help reduce transaction costs. U.S. banks in ethnic neighborhoods can form alliances with Latin American banks; for example, the International Bank of Miami could be working with Banco Uno in Central America, or SunTrust Bank in Washington working with Banco Cuscatlan in El Salvador. There currently exist several agreements among U.S. banks and Mexican banks. Three examples are Harris Bank, Bank of America and Wells Fargo, all of which have an agreement with Bancomer to transfer remittances.

One use of technology combined with potential and actual alliances is the Visa Giro. Visa, which currently links banks from Latin America with the rest of the world through its credit card system, has introduced a money transfer system using a Visa debit card, known as Visa Giro. Visa Giro is a debit card mechanism that promotes low cost remittance transfers while encouraging customers to use the card for any economic activity that accepts Visa Giro.

On a related note, U.S. banks operating in Latin America can offer debit cards that may be used by recipients at ATMs in LAC. Citibank and Bank of America are already offering these services in Mexico. Citibank has branches in several Latin American countries and has offered a service to send money to Mexico using Banamex's branches (owned by Citibank).

The experiment of U.S. credit unions linking with Latin American credit unions through IRNet[43] and forging financial ties among lower income areas in both the United States and Latin America is gaining relevance and success. These kinds of partnerships have multiplying effects; the business relationships expand beyond the money transfer business into other activities such as borrowing and investment. The above-mentioned case of FEDECACES is telling in this regard.

## 8. Conclusion

Remittances represent an important opportunity for development in Latin America, they have significant impacts at various levels. However, the policy problems they face, such as transaction costs, require government reforms, private sector initiatives as well as incentives to immigrants and their relatives to access financial institutions.

---

[43] Orozco, Manuel: "Remittances and Markets: New Players and Practices," Washington, DC: Inter-American Dialogue, June 2000.

Learning from current trends, prevailing initiatives as well as policy innovations remittances can have broader impacts in the economies of Latin America beyond receiving households. The declaration from the Summit of the Americas depends on the commitments and efforts by governments and the dynamism of the market. While the declaration is an important step reducing transaction costs in the next five years, looking at the various connections of remittances with the challenges of development is the greatest commitment for the members of the Inter-American system.

**Bibliography/references**


Andrade-Eeckoff, Katharine. *Mitos y Realidades: un análisis de la migración internacional de las zonas rurales de El Salvador*. San Salvador: FLACSO, 2003.

Caskey, John P. "Bringing Unbanked Households into the Banking System." A Capital Xchange Journal Article Prepared for The Brookings Institution Center on Urban and Metropolitan Policy Harvard University Joint Center for Housing Studies January 2002.

Chapman, Dan, "A boom in banks: Financial institutions catering to immigrants are giving U.S. chains a run for their money" *The Atlanta Journal-Constitutio*n, 22 de octubre, 2002. p.1F.

De Ferranti, David, et.al. *Inequality in Latin America: Breaking with History?* Washington, DC: The World Bank, 2003.

Doyle, Michael. "The Challenge of Worldwide Migration." *Journal of International Affairs*. Vol. 57, No. 2. New York: Columbia University School of International & Public Affairs, Spring 2004.

Durrand, Jorge, Emilio A. Parrado and Douglas Massey, "Migradollars and Development: A Reconsideration of the Mexican Case." *International Migration Review*. Vol. 30, No. 2, 1996.

El Colegio de la Frontera Norte. "Problemas y Perspectivas de las Remesas de los Mexicanos y Centroamericanos en Estados Unidos," manuscrito inédito, El Colegio de la Frontera Norte: Departamento de Estudios Económicos. México: 2002,.

El-Sakka, M.I.T. 1999 "The Macroeconomic Determinants of Emigrant Remittances." *World Development* 27, 8 (August):1493-1502.

Fagen, Patricia y Bump, Micah, Remittances regionally en *Beyond Small Change: Making Migrants' Remittances Coun*t, Washington, DC: IADB-Harvard University Press, 2005

Fernandez- Kelly, Patricia and Curran *Ethnicities : Children of Immigrants in America*. edited by Ruben G. Rumbaut and Alejandro Portes, 2001.

García, Juan José. "Las Tendencias de la Migración en El Salvador," FUSADES-PNUD, 1998.

IAD (2004), All in the family: Latin America's Most Important International Financial Flow, Washington, DC, enero. Informe del Grupo de Trabajo sobre Remesas de Diálogo Interamericano Manuel Orozco, director ejecutivo del grupo de trabajo.

IPES, 1998/1999: Facing Up to Inequality in Latin America, September 1999. Washington, DC: IADB.

Jackson, Ben, “Legal, political risk in ethnic marketing” *The American Banker,* 14 de febrero, 2003, p.1.

Kelderhouse, 2002, Banking Latino Immigrants: A lucrative market for progressive financial institutions, Bridges, Autumn 2002. St. Louis Federal Reserve Bank

Klim y Gresham-Jones (2001)

Li, Squire y Zou, 1998

Orozco, Manuel (2002a), “Globalization and Migration: The Impact of Family Remittances in Latin America" *Latin American Politics and Society***,** verano del 2002.

Orozco, Manuel (2002b), “Attracting Remittances: Market, Money and Reduced Costs.” Documento de trabajo encomendado por el Banco Interamericano de Desarrollo – Fondo de Multilateral de Inversiones.

Orozco, Manuel (2003b), *Family Remittances to Nicaragua: Opportunities to increase the economic contributions of Nicaraguans living abroa*d, Diálogo Interamericano. Informe encomendado por el Departamento de Agricultura de E.E.U.U. Washington, D.C. Febero.

Orozco, Manuel (2003d), *Oportunidades y Estrategias para el desarrollo y el crecimiento a través de las remesas familiares a Nicaragua.* Diálogo Interamericano. Washington, D.C. Diciembre.

Orozco, Manuel (2003e),*Worker Remittances in an International Scope.* Diálogo Interamericano. Washington, D.C. Marzo

Orozco, Manuel (2003h), *Worker remittances, transnationalism and developmen*t, ponencia presentada en la conferencia internacional *Migrant Remittances: Development Impact, Opportunities for the financial sector and Future Prospect*s, 9 y 10 de octubre, 2003, Londres, Reino Unido.

Orozco, Manuel (2004a), *Determinants of remittance transfers: The case of the Dominican Republi*c, enero de 1999 a septiembre del 2003 Diálogo Interamericano. Washington, D.C. manuscrito inédito.

Orozco, Manuel (2004b), *Distant but close: Guyanese transnational communities and their remittances from the United States.* Diálogo Interamericano, Informe encomendado por la Agencia para el Desarrollo Internacional de E.E.U.U., AID. Washington, DC. Enero.

Orozco, Manuel (2004d), *The Remittance Marketplace: Prices, Policy and Financial Institutions* Washington, DC: Pew Hispanic Center. Junio (versión castellana publicada en Revista Sin Fronteras, Chicago, abril-mayo 2004, número 12).

Ratha, Dilip,  “Worker remittances: an important and stable source of external development finance”, in *Global Development Finance*. Washington, DC: The World Bank, 2003.

Rivera-Batiz, Francisco L. “The Socioeconomic status of hispanic New Yorkers: current trenes and future prospects”  unpublished manuscript, New York, Columbia University, October 2002.

Rosa Ester Rossini “O Novo Enraizamento: a conquista do espaço pelos nikkeis do Brasil no Japão” Trabalho apresentado no XIII Encontro da Associação Brasileira de Estudos Populacionais, realizado em Ouro Preto, Minas Gerais, Brasil de 4 a 8 de novembro de 2002.

Sachs, Susan, “New York, citing security, rejects Mexican ID cards” en *The New York Times*, 28 de diciembre, , 2002, Sección B; p. 4, Columna 1

Silvestri, Scott. “Citigroup, Wells Fargo Buy and Build to Attract Hispanic Savers”, *Bloomberg*, 15 de enero, 2003.

Song, Jason, “Mexican cards give sense of identity” *The Baltimore Sun Company*, 12 de noviembre, 2002. p.1B.

Torres, Federico. “Las Remesas y el Desarrollo Rural en las Zonas de Alta Intensidad Migratoria en México,” Naciones Unidas: Comisión Económica para América Latina y El Caribe (CEPAL). México: 2001

Zarate, German, “The multiplier effect of remittances” 2004.

*The Tampa Tribune*, 22 de mayo, 2002; *Associated Press*, 22 de mayo, 2002; *Business Wire*, 27 de octubre, 1997, 11 de julio, 1996.

Business Wire, 30 de julio, 2002, 23 de abril, 2002; The American Banker, 9 de mayo, 2002, 24 de abril, 2002; PR Newswire, 9 de mayo, 2002; The Financial Times, 28 de mayo, 2002, 29 de abril, 2002.
Sturiale, Jeanne, “Opening Doors” *Winston-Salem Journal*, 25 de noviembre, 2002.

Other Bibliography-References

Orozco, Manuel (2002[a]), “Globalization and Migration: The Impact of Family Remittances in Latin America" **Latin American Politics and Society** Summer 2002

Orozco, Manuel (2002b), “Attracting Remittances: Market, Money and Reduced Costs.” Working paper commissioned by the Inter-American Development Bank – Multilateral Investment Fund.

Orozco, Manuel (2002c), “Challenges and opportunities of marketing remittances to Cuba” July. Washington, DC, Inter-American Dialogue.

Orozco, Manuel (2002c), “Enabling environments? Facing a spontaneous or incubating stage”, Washington, January 2002. Working paper commissioned by the Inter-American Development Bank – Multilateral Investment Fund.

Orozco, Manuel (2002d), “Remitting Back Home and Supporting the Homeland: The Guyanese Community in the U.S.” Working paper commissioned by USAID (GEO Project). November.

Orozco, Manuel (2003a), *Changes in the Atmosphere? Increase in Remittances, Price Decline and New Challenges* Inter-American Dialogue. Washington, D.C. March

Orozco, Manuel (2003b), *Family Remittances to Nicaragua: Opportunities to increase the economic contributions of Nicaraguans living abroad*, Inter-American Dialogue. Report commissioned by the U.S. Department of Agriculture, Washington, D.C. February.

Orozco, Manuel (2003c), *Hometown Associations and their Present and Future Partnerships: New Development Opportunities?* Inter-American Dialogue, Report commissioned by the U.S. Agency for International Development. Washington, DC. September.

Orozco, Manuel (2003d), *Oportunidades y Estrategias para el desarrollo y el crecimiento a través de las remesas familiares a Nicaragua* Inter-American Dialogue. Washington, D.C. December.

Orozco, Manuel (2003e),*Worker Remittances in an International Scope* Inter-American Dialogue. Washington, D.C. March

Orozco, Manuel (2003f) *The Impact of Migration in the Caribbean and Central American Region* Ottawa, Canadian Foundation of the Americas, March. (Spanish and English versions)

Orozco, Manuel (2003g), "Worker Remittances: Issues and Best Practices" Testimony presented to the U.S. House Committee on Financial Services hearing entitled "Remittances: Reducing Costs, Increasing Competition, and Broadening Access to the Market" October.

Orozco, Manuel (2003h) *Worker remittances, transnationalism and development*, paper presented at the international conference on *Migrant Remittances: Development Impact, Opportunities for the financial sector and Future Prospects,* October 9 and 10, 2003, London, United Kingdom.

Orozco, Manuel (2004a), *Determinants of remittance transfers: The case of the Dominican Republic*, January 1999 to September 2003 Inter-American Dialogue. Washington, D.C. unpublished manuscript.

Orozco, Manuel (2004b), *Distant but close: Guyanese transnational communities and their remittances from the United States* Inter-American Dialogue, Report commissioned by the U.S. Agency for International Development. Washington, DC. January.

IAD (2004), All in the family: Latin America's Most Important International Financial Flow, Washington, DC, January. Report of the Inter-American Dialogue Task Force on Task Force on Remittances. Manuel Orozco, taskforce executive director.

Orozco, Manuel (2004c), *The Salvadoran diaspora: remittances, transnationalism and government responses*, Washington, February; Paper commissioned by the Tomas Rivera Policy Institute. February.

Orozco, Manuel (2004d), *The Remittance Marketplace: Prices, Policy and Financial Institutions* Washington, DC: Pew Hispanic Center. June (Spanish version published in Revista Sin Fronteras, Chicago, Abril-Mayo 2004, número 12).

Orozco, Manuel (2004e), *Diasporas, Development and Social Inclusion: Issues and Opportunities for the Caribbean* Washington, DC: the World Bank. Policy brief commissioned by the World Bank. July.

Orozco, Manuel (2004f) "Mexican Hometown Associations and Development Opportunities" in *Journal of International Affairs*, Spring 2004, vol. 57, no. 2.

Orozco, Manuel (2004g), *Remittances to Latin America and the Caribbean: Issues and perspectives on development* Washington, DC: Organization of American States, July. Policy brief commissioned by the Summit of the Americas Secretariat Office.

Orozco, Manuel (2004h), "The Future Trends and Patterns of Remittances to Latin America" and "Remittances and Central America" in *Beyond Small Change: Making Migrants' Remittances Count*, Washington, IADB, forthcoming.

Other: these two chapters are from the report released in 2000:
"The marketplace of remittances and its changing dynamics" in **Sending Money Home: Hispanic Remittances and Community Development**, De la Garza, Rodolfo, Lindsay Lowell. Rowman and Littlefield, 2002.

"Latino Hometown Associations as Agents of Development in Latin America" in **Sending Money Home: Hispanic Remittances and Community Development**, De la Garza, Rodolfo, Lindsay Lowell. Rowman and Littlefield, 2002.