MIGRANT Remittances

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From the Editor

Dear Readers,

Money transfers are regaining dynamism across the globe. The current money transfer market shows a mix of innovation, continued competition, and policy initiatives aimed at reaching out to migrants and remittance recipients. Flows are achieving momentum again, but remain sensitive to political events in the Middle East and North Africa and slow economic recovery in source markets such as Spain. The industry is demonstrating an effort to increase competition, penetrating the market with technology-driven payment instruments, such as the Internet. Our research review analyzes the extent of a relationship between transnationalism and skilled diasporas. The guest article looks at public-private partnerships, particularly the collaboration of money transfer companies, Mexican government officials, and the Mexican diaspora on wealth-generation initiatives. The country profile touches on the case of Cuba, where U.S. policy reforms and Cuban economic reforms may be reaching important points of convergence.

Manuel Orozco

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Worldwide Trends in the Remittance Market

Highlights on International Remittance Prices

The cost of sending remittances fell during the recession, with a slight uptick in recent months. Remittance costs have fallen since 2008 by 0.3 percentage points to an average 8.68 percent of the total amount of the remittance (see Figure 1). This average masks a far greater drop in some countries and an increase in the price of a remittance in others. The World Bank's target is to reduce the global average cost of sending a remittance from 10 percent to 5 percent by the year 2014.

According to recent data, Africa has seen the largest cost decrease in the last three years. Sending US$200 in 2008 cost 12.46 percent of the total amount sent, but by 2010 the cost had fallen 2 percentage points to 10.46 percent of the total amount sent. Asia followed with a 1.6 percentage point drop to 6.95 percent of the total cost. The reduction in costs may be attributed to improvements in technology, policies and regulation within the remittances market that increase competition, and market pressures to lower costs.

Remittance costs in Latin America increased by a slight 0.4 percentage points in 2010 following a drop of 0.3 percent in 2009. Costs in the region remain among the world's lowest, and are on average below 8.2 percent. The region also experiences smaller fluctuations in cost due to a more

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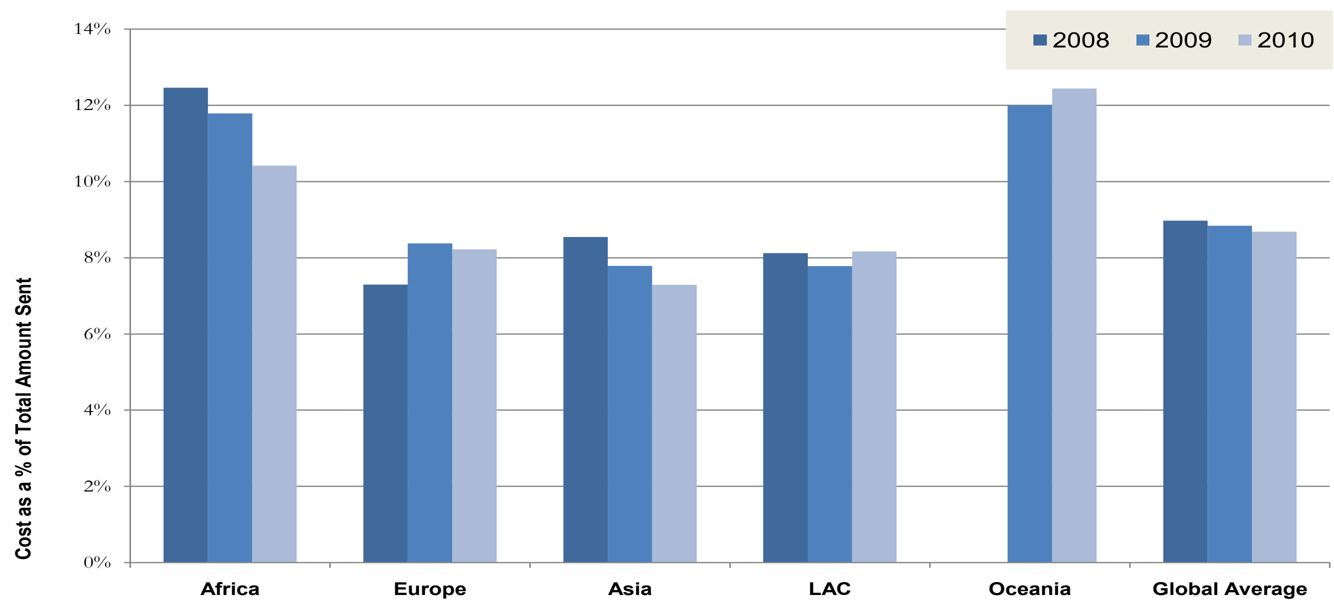
Figure 1: Cost Comparison of Internet and Agent-based Money Transfers



Source: data compiled by the Inter-American Dialogue in collaboration with Developing Markets Associates.

developed remittances market and relatively high levels of competition.

In contrast to other regions, costs in Europe and Oceania have been slowly increasing since 2008.

Regional trends in remittance flows

The closure of Egyptian banks in February 2011 due the democratization movement prevented Gulf-based Egyptians from sending remittances home, a situation that subsequently affected the financial markets in the country. Remittances to Egypt are the country's second largest source of external capital inflow after tourism, playing an essential role in stabilizing the economy and reducing poverty. When the banks closed, money transfer agents were unable to obtain remittance transfers already initiated, leaving numerous recipients without access to their funds. The restricted access to international remittances, along with reduced tourism and capital flight, caused foreign reserves in Egypt to decline. The Central Bank's international reserves fell to US$30.1 billion by the end of March, compared with US$33.2 billion in February, and US$36 billion in December 2010.

Even after the banks reopened in Egypt, the political tumult and violence in Libya interrupted remittance flows from Egyptians living in Libya. It is expected that remittance volumes will continue to decrease in the coming months as migrants working in Libyan oilfields flee the conflict. According to the International Organization for Migration, many of the 1.5 million Egyptians working in Libya are returning to Egypt or heading to neighboring countries. The regional political instability has affected thousands of remittance recipients, banks, payout agencies, and various financial markets. It is possible that families will become increasingly dependent on remittances as the democratic transition brings increased economic instability to the region. If access to those remittances becomes less certain, these families will suffer even greater hardships.

Remittances to Mexico saw 5.94 percent year-on-year growth in February, and money transfers from migrants represent Mexico's second largest source of capital inflows after proceeds from oil exports. After a precipitous drop in remittances brought on by the financial crisis in the United States, remittances began to demonstrate renewed positive growth at the end of 2010, reaching just over US$5 million in the fourth quarter of 2010. Nevertheless, with US$21 million in remittances reaching Mexico during 2010, remittances are still only equivalent to 2004 levels (in nominal dollars). They do not approach peak remittance levels of US$26 million as was achieved in 2007. The approximately 11 million Mexicans living and working in the United States are the primary contributors to the remittances inflow.

Remittances from Africans residing abroad reached US$40 billion in 2010, according to a recent joint report by the World Bank and African Development Bank. The authors identified that remittance recipients made investments in land purchases, housing, and small businesses. Investments in education also ranked high among remittance receivers in several African nations, including Nigeria, Uganda, Burkina Faso, and Kenya. In light of growing remittance flows to the region, money transfer operator MoneyGram recently announced its intention to expand its reach in the growing African market. Remittances to Africa continue to grow, despite the high costs associated with remitting. Increased competition and further expansion of remittance payout agents should reduce the transaction costs for both remitters and recipients.

According to the State Bank of Pakistan, transfers exceeded US$1.05 Billion in March 2011, marking a 40 percent year-on-year increase. Improved data tracking and a joint effort between the Central Bank, Ministry of Finance, and Ministry of Overseas Pakistanis to encourage the flow of remittances through formal channels may have contributed to the larger than expected increase. The Arab world conflicts, as well as the 2010 flooding are also likely contributors to Pakistanis' decision to remit more. Remittances often rise in response to political and economic instability resulting from conflict or an environmental crisis and Pakistan has experienced more than its fair share of both in recent years. Some argue that increased remittances suggest Pakistani migrants' optimism in investing in Pakistan. It is equally likely that the numerous crises have undermined family's economic security and that the increased remittances suggest higher levels of remittance dependency within Pakistan.

Remittance Provider and Financial Intermediation Updates

Money transfer operators and banks expand their offerings of Internet money transfer products. The growth in Internet money transfer products indicates increasing demand by remittances senders. This transfer method may be appealing due to the transfer speed, competitive price, and the convenience factor for the remitter. While the cost hovers near the average cost of sending US$200, Internet transfers are not the lowest-cost option available to migrants (see Table 1). Sending money home via an agent continues to be the typical service of choice and the lowest cost method available in most markets. Internet costs from the U.S. are closer to the market average, partly explained by economies of scale taking place within the Internet industry.

While access to and use of the Internet is still low among remittances senders, money transfer companies and banks are developing Internet money transfer products focused on mobile phones, which have more widespread use. These are currently being tested in Africa, Asia, and the Middle East. The market remains relatively new in Latin America, though further developments can be expected globally as more partnerships between banks, mobile service providers, and money transfer companies are launched.

Some recent examples of the growth in Internet transfer products include Western Union's plans to expand services in the United Arab Emirates through the launch of a new online remittance service. In a deal with the leading bank Emirates NBD, clients will be able to send remittances via mobile phones or the Internet to 200 countries. This type of agreement and service is the first of its kind to be launched in the region.

Similarly, WorldRemit recently expanded offerings to include an online Canada–Zimbabwe corridor. The UK-based company offers online and mobile phone-based money transfers to Africa, Europe, and Asia. It

Table 1: Cost Comparison of Internet and Agent-based Money Transfers

Country	Number of companies	Average fee to send US$200 via Internet	Average fee to send US$200 via agent
France	13	10.39	8.61
United States	7	9.78	8.29
United Kingdom	15	8.95	9.53

Source: Survey collected by the author, April 2011. Data was collected across several remittance corridors with multiple currencies. As a result, the average fee does not reflect the total cost of the remittance, which often includes an exchange rate commission. The U.S. survey excluded banks, which brings down the total remittance service providers in that market.

recently launched services in Canada. Internet and mobile remittance technologies are small but growing portions of the market, and money transfer operators are responding by increasingly offering technology-based remittance products. It remains to be seen whether and how quickly the use of these products will expand, given the fact that many migrants lack access to Internet technology.

Xoom and Bank of the Philippines (BPI) developed a cash pickup option for online remittance service products. Previously, remitters were required to provide a BPI bank account number to deposit the remittance; the new product allows recipients to receive money without depositing it in a bank account. Bank accounts can facilitate know-your-client requirements and reduce money laundering and they may also promote savings among remittance recipients. However, given low levels of financial inclusion among remittance recipients, a bank account requirement can also reduce recipients' ability to access their remittance. Expansion of the Xoom product to allow for cash pickup in the Philippines may reduce transaction costs for recipients.

Wells Fargo's incorporation of Wachovia Bank drives growth in their remittance services products. From 2009 to 2010 customers using this service increased 41 percent while transaction volume grew 43 percent. Wachovia, a bank that collapsed during the US economic crisis in 2008, was predominantly located in the southeastern United States. In the last ten years the region has seen an influx of Latin American immigrants, particularly from Mexico and Central America. As Wells Fargo continues to incorporate Wachovia branches, it can be expected that its remittances services products will see greater demand.

El Salvador's Banco Agricola and the Microfinance International Corporation (MFIC) announced a strategic partnership to leverage remittances for home loans. Under the agreement, Banco Agricola will pay out remittances sent through Arias, MFIC's money transfer service that originated in the United States. Alante Financial, MFIC's storefront financial services division, will then collaborate with Banco Agricola to provide loans to remittance senders and their family members in El Salvador for home purchases or improvement. Financial products that leverage remittances for investments have the potential to incorporate migrants and their families more deeply into the financial system.

Banorte in Mexico will extend ATM and remittance payout sites through a deal with Cardtronics Mexico. Cardtronics Mexico is a subsidiary of retail ATM owner Cardtronics, which currently operates in the United States, Puerto Rico, Dominican Republic, and the United Kingdom. The company's current network extends to over 7,000 ATMs throughout Mexico. The deal will allow Banorte customers who use Tarjeta Enlace Express to access remittances via the additional ATMs. ATMs are predominantly located in urban areas, which reduce the benefits of this agreement for remittance recipients in rural communities. Still, for those that can access them, ATMs represent an alternative to waiting in long lines to retrieve remittances. As the bank's presence is extended outside the institution itself, and more financial products incorporate debit cards and access to remittances, the hidden transaction costs required to receive a remittance will slowly decline.

Regulatory Developments Around the World

U.S President Barack Obama continues to relax travel and remittances restrictions to Cuba. In addition to remittances for family members, the policy now allows Cuban-Americans to send remittances of up to US$500 per quarter to non-family members in order to finance small businesses. The U.S. Department of Treasury is preparing blanket regulations in response to the new policy. With this policy shift, we may expect that as regulations over private enterprises slowly thaw in Cuba, so will remittance regulations in the United States.

Nativist proposals in U.S. state legislatures may increase the cost of the US-Latin America corridor. Republican State Representative Leo Berman presented a bill to a committee in the Texas House of Representatives that proposed an eight percent fee on personal remittances sent to Mexico and Latin America. Rep. Berman argues that the bill is an attempt to reduce the state's budget shortfall, contributed in part by the burden of undocumented immigrants' unpaid hospital bills. He hopes the fee will make Texas a less attractive state for undocumented immigrants. While not expected to pass, the appearance of such bills highlights the growing nativist trend in many developed countries, and foreshadows ways in which nativism could hamper an open remittances marketplace. Similar initiatives have been proposed in the past, and more can be expected in the future.

Haiti's president-elect proposes a remittances tax to fund education in the poverty-stricken nation. Michel Martelly announced in late April a proposal for a one dollar tax on remittances to Haiti in an effort to channel funds for education. The tax would be in addition to a five cent per minute levy on phone calls which Martelly has already negotiated with several large telephone companies. A tax on remittances could increase remittance flows through informal channels as well as placing an additional burden on migrants and their families. A general tax on all income, not just income from remittances, would be an alternative measure to fund education goals.

Remittance transfers to the Caribbean are expected to increase in the next few years, requiring greater international cooperation. In the last 15 years, remittances to the region have grown an average of 15 to 17 percent per year. At the recent Caribbean Remittance Forum on March 24, 2011, the World Bank recommended that the private and public sectors engage in establishing strong regulatory regimes to avoid concerns of money laundering and to reduce costs. Jamaica, whose remittances market is more transparent, secure, and competitive when compared to other nations in the Caribbean, offers a strong example for anti-money laundering regulation and access to financial services. A combined effort of the public and private sectors is essential to improve regulatory systems needed to secure the integrity and efficiency of the Caribbean remittances market.

International Cooperation and New Projects

The U.S. government, the Inter-American Development Bank, and various banks in Central America launched "Building Remittance Investment for Development Growth and Entrepreneurship," or BRIDGE, which is intended to increase the channeling of remittances through formal financial institutions. In this way, the project aims to increase the capital stock available to banks and other lending institutions, which in turn could reduce the cost of investing in target nations. Such investments include infrastructure improvement, clean water, and entrepreneurship projects. Honduras and El Salvador, the first participating countries, are currently identifying areas in their communities to finance. While the program is focused on Central America, it will ultimately expand to other regions.

The U.S. Agency for International Development (USAID) approved US$12 million grant to fund a four-year project that seeks to leverage remittances from the Haitian diaspora to improve social infrastructure and social enterprise development in Haiti. Funds donated by Haitians abroad would be matched with USAID grants to contribute to sustainable job creation and community development of local communities.

The Western Union Foundation is funding a US$250,000 initiative with the United Nations Development Program (UNDP) and the Philippine Government to create "The Overseas Filipinos Remittances for Development," a program intended to help reach Millennium Development Goals and alleviate poverty by 2015. The Philippines is the fourth largest receiver of remittances in the world, and this two-year pilot program will channel remittances into microenterprises and development initiatives in migrant communities. There is growing interest on the part of governments and the private sector to partner with remitters around the world to undertake local development projects. Many of these projects focus either on local development or economic development goals. It will be important to measure the impact of these early projects both at the community level and within families who forego their remittance to contribute to such projects. It should be the goal of each initiative to improve local development without reducing the well-being of remittance recipients. Source: http://www.undp.org.ph/?link=21&id=68&act=press_release_listing

GUEST ARTICLE:

Can Public-Private Partnerships Work? Western Union's View

Mario Hernandez, Director of Public Affairs, Western Union

> *Editor's Note: Public-private partnerships are an important resource in the international development toolkit. They allow development practitioners to apply expertise from various sectors while also multiplying the funds available for a given development project. For this edition's Guest Article, we invited Mario Hernandez, Director of Public Affairs at Western Union, to comment on the money transfer operator's commitment to leveraging the development impact of remittances through public-private partnerships, and the ways that such an engagement can add to prosperity.*

As a significant player in the remittances market, Western Union provides its services in many poor and underserved communities. We seek to further support these communities by making contributions and partnering with organizations that can help us respond to their unmet needs. With millions of people in these communities using our services every year, we consider it important to give back to them in ways that promote their well-being and economic development.

Western Union directs its funds towards programs that provide education and economic development opportunities such as job training, life skills development, small business development, financial literacy and assistance to migrant and immigrant communities. In doing so, Western Union recognizes the value of engaging in public-private partnerships to extend our services and our reach. As a global company, our reach is broad but our ability to understand development dynamics at the community level is limited. We seek to partner with local NGOs and governments to increase the impact of our donations by identifying the target community and tailoring services to their needs.

One such example of our commitment to development through public-private partnerships is the 4+1 program. Since 2005, Western Union has supported the efforts of U.S.-based Mexican Hometown Associations (HTAs) in raising money for projects that foster community and economic development in Mexico. Western Union's involvement plays off the existing 3x1 program, which is sponsored by Mexico's federal government to increase investment in local development projects by matching HTA contributions with equivalent funding from the municipal, state, and federal governments. Western Union's involvement essentially quadruples the funds available for a development initiative.

Western Union initially funded eight projects in the state of Zacatecas. The company has since allocated more than US$750,000 to support an additional 18 projects in Zacatecas, Veracruz, Guanajuato, Michoacán and Guerrero. The projects include a pork farm, a cattle feed production facility, an eco-tourism park, a linen and sports clothing production facility, among others.

Owners of such small and micro-industries often finance a large portion of their investment from their own savings, which both limits the total amount invested and can create hardship for the family if the investment fails. Western Union's investment in these projects is intended to alleviate that hardship and allow such entrepreneurs to concentrate their efforts on job creation.

Preliminary findings indicate that, while more work needs to be done, 4+1 is a relatively successful endeavor. The 4+1-funded projects created more than 200 jobs, with an estimated additional 200 jobs anticipated in the next 5–10 years. Many businesses are already turning a profit after just a few years of operation, and given the capital investments they were able to make with 4+1 funding, they are expected to generate higher revenue in the future.

These investments also contribute to other positive indicators for development, including gender relations and environmental preservation. The projects have a strong track record of being women-owned and operated, with over half of them incorporating women into leadership roles. This unexpected outcome is especially welcome since women are migrating in increasing numbers; more jobs within their home community can offer alternatives to them. Increased awareness about environmental protection is another outcome that was unplanned, but very welcome. Several of the projects invested in eco-tourism, while other agricultural investments utilized environmentally friendly practices. The resulting interest in the environment at the community level can support increased well-being over the long term.

While these results show promise, they're certainly no guarantee of unlimited success. But let's remember that Henry Ford, Steve Jobs and others started much the same way. And in the end, it will be those efforts that boost Mexico's economy. We hope that the outcomes of these investments will ultimately allow migration to become a choice, not a necessity.

RESEARCH NOTE:

Skilled Migrants' Transnational Engagement and Potential to Promote Development

Mariellen Jewers, Associate at the Inter-American Dialogue

This research note explores the relationship between skilled migration and home country development. In an increasingly global economy, development practitioners frequently assume that skilled migrants' knowledge can make them agents for home country development, which prompts them to implement policies on migrant knowledge transfer. Yet, skilled migrants' potential for economic development depends—at least in part—on their connection to home countries and on how well their skills match home countries' economic needs.

Analysis of survey data on the share of skilled migrants in the United States, Russia, Italy and Spain, and their relative connection to home countries when compared to unskilled migrants, shows important evidence that explains the extent of the size and relationship between skilled migrants and their home countries.[1]

Rather than rely on academic definitions of skilled migration that are based exclusively on education, we follow Australia's practice of including in our definition occupations that require specific expertise or that produce certain goods.[2] This definition gave us the best estimate of migrants who possess skill-sets that could be useful for home countries' economic development.

Skilled migrants represent a significant share of all migrants in Russia, the United States, Italy and Spain. The United States, where 39 percent are skilled, had the largest share of skilled migrants.

Skilled migrants are a socio-economically diverse group. There is no dominant nationality or occupation among skilled migrants in the United States. About half are female. They are from varying income brackets—though very few reported making less than US$10,000 a year.

Skilled migrants reported being more engaged with home countries in day-to-day activities than unskilled migrants.[3] A higher percentage of skilled migrants sent money home and called home than unskilled migrants.[4] Skilled migrants were also more engaged in activities more closely related to home country development. Roughly 22 percent of skilled migrants are members of hometown associations, compared to only 14 percent of unskilled migrants, and more skilled migrants held bank accounts in home countries.[5]

However, the proportion of skilled migrants that actively engaged with home countries represented only 18 percent of all migrants in the United States.[6] Also, statistical tests did not find that being skilled significantly influences migrants' likelihood of being engaged with their home country. In other words, skill is not a unique determinant of engagement, but may be an intervening factor of it.

In light of these results, targeting migrants on the basis of their educational or occupational backgrounds might not be a sufficient policy approach. We suggest future assessments of the size of skilled migrant populations per home country and of their interests in contributing to their homeland's economic development. Combining efforts to compile information on skilled migrants' experience and education with evaluations that take stock of home countries' labor and knowledge needs would also help to maximize skilled migrants' potential for promoting development.

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1. Analysis in this article refers to the samples studied for the draft paper "Skilled Diasporas: An Imagined or Real Community? Understanding its Policy Implications" by Manuel Orozco and Mariellen Malloy Jewers, presented at the International Workshop for the Migration Studies Project, at Pennsylvania State University, April 30th and May 1st 2010. The United States sample consisted of 1,350 migrants surveyed in 2008. The Spain and Italy sample was of 1,648 migrants surveyed between July and November 2009. The Russian sample was of 779 migrants in 2007.

2. Carrington and Detragiache (1998), Adams (2003), Docquier and Marfouk, (2004; 2006) as well as Dumont and Lemaitre (2004), define skilled migrants as "foreign-born workers with university or post-secondary training". Australia and New Zealand target their immigration policies in part to fill gaps in labor supply of their countries. Like Australia's Standard Classification of Occupations, we classified migrants based on two criteria: (1) "skill level", which is formal education and (2) "skill specification", which is knowledge required to perform a job, tools and equipment used in an occupation, and goods and services produced by a worker. Skilled migrants in our analysis fulfill: i) skill level: Complete secondary education or higher; ii) skill specification: Work in occupations that require specific trade expertise and training, but not necessarily a formal university degree. Within these criteria, there is a possibility that we have classified migrants as skilled even though they are working in occupations outside their primary field of expertise. Migrants who have not completed high school, or those working in an occupation that does not require any specific expertise, or both, were not considered skilled migrants.

3. For sending money home we developed a variable that consisted in the percent of migrants who sent home sums larger than the median for the group and more than the average frequency per year.

4. 31.25 percent of unskilled migrants and 37.80 percent of skilled migrants remitted above the median amount and frequency. 50.13 percent of unskilled migrants and 55.60 percent of skilled migrants called home at least once a week.

5. 12.38 percent of unskilled migrants and 19.40 percent of skilled migrants owned a bank account in their home country or in their home country and the US.

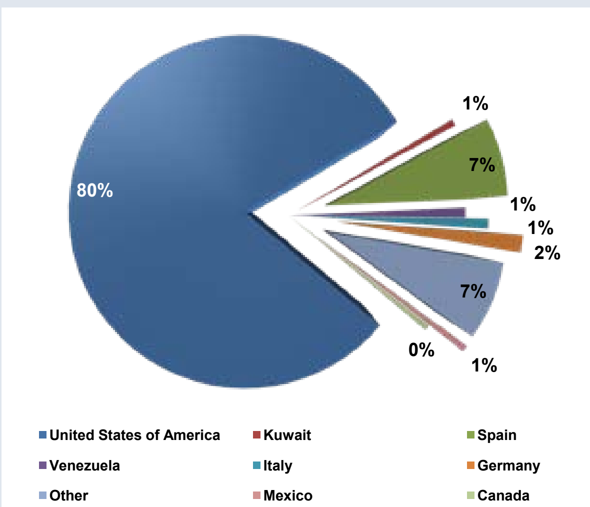
6. This estimate is based on a binomial index for engagement in which three or more activities were classified as "engaged" and two or less were "unengaged".

COUNTRY PROFILE: CUBA

Population: Cuba's population of 11 million people is very young, with 68 percent between 15 and 64 years of age and 19.4 percent that is 14 years old or younger. Life expectancy reaches 79 years and the population growth rate is just at replacement levels.[1] The population is evenly split between urban and rural areas and the adult literacy rate is 100 percent.[2]

Migration History: Following the communist government's rise to power in early 1959, almost 200,000 Cubans immigrated to the United States. Migratory flows were especially large from 1960 to 1979, with upper-middle class Cubans making up a large portion of émigrés. In 1980, another estimated 125,000 working class Cubans immigrated as part of the Mariel boatlifts. The "Marielitos" were more diverse than earlier migrants, including very poor elements from Cuba's underclass. In more recent years, more than one million Cubans migrated, primarily to the United States but also to European destinations.[3]

Worldwide destination of Cuban migrants



Source: Development Research Centre on Migration, Globalization and Poverty. "Global Migrant Origin Database." Version IV, March 2007. http://www.migrationdrc.org

Estimated number of migrants abroad: More than 1.5 million Cuban migrants are abroad with the majority living in the United States. Cubans are nearly 4 percent of the estimated 45 million Hispanic immigrants in the U.S.[4] The largest Cuban community resides in Florida (990,000), followed by New Jersey (81,000) and New York (78,000).[5]

1 WB development indicators (http://data.worldbank.org/country/cuba).
2 Ibid.
3 Pedraza, Silvia. *Political Disaffection in Cuba's Revolution and Exodus.* New York and London: Cambridge University Press, 2007.
4 Pew Hispanic Center, Fact Sheet, 2006 *Cubans in the United States*
5 Ibid.

Source: http://www.learnnc.org/

Host Countries: The United States (79.6 percent) and Spain (7.1 percent) are the primary destinations for Cuban migrants.[6] Immigration to Spain is a fairly recent but a fast growing trend. Other host countries include Germany, Pakistan, Venezuela and Italy.

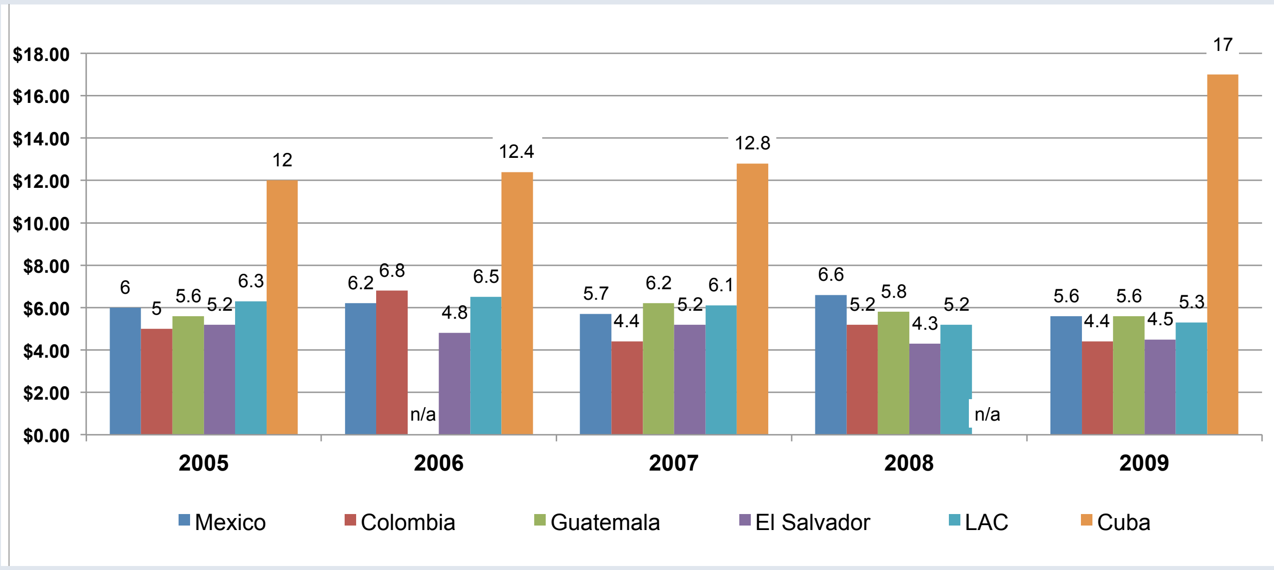
Of Cubans living abroad, more than 79 per cent live in the United States

Characteristics of Cuban migrants and remittances: Cuban migrants are unique when compared to migrants from other Latin American countries because the historical tension between their host country and country of origin has affected remitting patterns. Migrants from pre-1990 immigration waves were relatively disconnected from their relatives due to U.S. travel restrictions whereas recent economic reforms in Cuba and other political changes in both countries have allowed more frequent contact between Cubans in the US and their families at home.

Cubans also behave differently when compared to other patterns of Latin American migrants. Cubans are the most geographically concentrated Hispanic origin group. Nearly seven of ten Cubans (68.5%) live in the State of Florida.[7] They typically send less money (under US$100) despite the fact that Cuban Americans tend to earn more than other Latinos.[8] Also, they tend to remit less frequently, at four to six times a year, than the average Latin American in the U.S., who remits about once a month.[9]

6 Migrants: Development Research Centre on Migration, *Globalization and Poverty.* Global Migrant Origin Database. Version IV. March 2007. http://www.migrationdrc.org/.
7 Pew Research Center, *Hispanics of Cuban Origin in the United States,* 2008.
8 Morales Dopico, Emilio. *Envios De Remesas A Cuba: Desarrollo, Evolución e Impacto.* Association for the Study of the Cuban Economy. July 2010.
9 Inter American Development Bank. *Survey of Remittance senders: U.S. to Latin America.* 2001.

Cost of remitting US$ 200 to the main Latin American and Caribbean recipients countries



Source: Central Banks and IADB. GDP: ECLAC, Migrants: global migration database; Remittances: survey data and ECO, 2008.

Estimated remittance flows:

In 2008, the total amount of remittances sent to Cuba was approximately US$1.4 million.[10] According to a study that year, 73 percent of households had family living abroad and of these 53 percent received remittances from the U.S. and 23 percent receive from Spain.[11] The average remittance received is about US$150, with families receiving remittances for 8 years on average.

The cost of remitting to Cuba is much higher and rising when compared to other countries in Latin America.[12]

Remittances and the banking system:

Most remittance senders (59.8 percent) use formal channels to send money but a significant portion (40.2 percent) still use informal channels. These often take the form of "mulas," Cuban Americans and foreign nationals such as Mexicans or Colombians who frequently travel to the island.[13] Informal channels grew increasingly popular following the U.S. government's restrictions on money transfers on the grounds that remittances were propping up the regime of Fidel Castro. Cuba has only five formal money transfer operators in the country.[14]

The limited marketplace increases informality and reduces competition, making Cuba one of the most expensive countries to send money to in Latin America and the Caribbean, with an average 17 percent of the total amount sent.[15]

Of those who receive remittances, 40 percent have bank accounts, while the rest keep their savings informally. The main reason for informal savings is a lack of trust in the banking system according to 49 percent of survey participants.[16] The recipients' tendency to save is slightly low; only 36 percent of recipients have an average of US$500 savings or more.[17]

Given the easing of restrictions on remittances to Cuba, it is estimated that remittances could reach US$2 billion this year if the Cuban government allows inflows to enter the economy without restraints. Cubans living abroad could be more motivated to send money for microenterprise investments, infrastructure improvement, housing and other initiatives that could contribute to local development.[18] As more remittances flow into the island, increased demand for remittance products could also drive down the cost of sending remittances to Cuba in the near future.

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17 Ibid.
18 Bendixen, Sergio and Donald Terry Remittances and Cuba. The Miami Herald. March 22nd 2011: available from: http://bit.ly/k8KY9D.

Events (April 2011-October 2011)

May 9, 2011. The Fourth United Nations Conference on the Least Developed Countries (UN LDC-IV) Special Event: The International Commitment to Reduce the Cost of Remittances and the Importance of Remittances for LDCs. Istanbul, Turkey. Agenda: http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/282044-1257537401267/SideRemittancesDraftAgenda.pdf

May 16 – 17, 2011. Training Course: Remittances – Creating Value. London, England. http://citadeladvantage.blogspot.com/2011/03/training-course-remittances-creating.html

May 16 – 18, 2011. The 4th Annual Mobile Money and Migrant Remittances Event. London, England. http://expopromoter.com/en/goto/event/123434/

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Editorial review group: Yvon Resplandy (USAID)

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