

# MIGRANT Remittances

EDITORIAL

## Where Can Migrants Turn for Information?

Choosing the best money transfer provider and making the most of the remittances sent home is a challenge for every remittances sender. Access to information is essential, but what sources can be tapped to find the necessary information? Migrant associations, which provide a broad range of support to their members, are one potential source.

In this issue of *Migrant Remittances*, we explore migrant associations' role in assisting members with remittances. The newsletter team aimed to find out more about the type of information migrant associations provide, and how financial literacy classes and links with financial institutions may be used to attract remittances to formal financial services and savings or investment.

The mandate and focus of migrant associations vary widely, as do their services and activities. Their programs might include cultural, development-oriented, or philanthropic activities; therefore, the provision of remittances-related information is not on each association's agenda.

In "Migrant Associations: Information and Services," we summarize our interviews with migrant associations in Europe and the United States. We also introduce three development-oriented migrant associations that have taken innovative steps to support their remittance-sending members: the Economic Resource Center for Overseas Filipinos; its Dutch partner organization, the Economic Resource Center for Migrants and Overseas Employees; and Nuevos Horizontes, a hometown association working on behalf of Honduran immigrants living and working in the United States.

We hope you will find this issue of *Migrant Remittances* useful in your work and look forward to your feedback and contributions to future issues.

Anke Wolf (editor)

*Migrant Remittances is jointly supported by*

USAID's Microenterprise Development Office and DFID



**USAID**  
FROM THE AMERICAN PEOPLE

**DFID** Department for  
International  
Development

MAY 2006

VOL. 3

NO. 1

## Migrant Associations: Information and Services

The Internet's role is limited in terms of providing quick, reliable, and transparent information on remittance sending to a broad constituency of migrants. However, some websites do offer comparisons of service fees within one or several markets or corridors, such as Sending Money Home (<http://www.sendmoneyhome.org>) and Profeco ([www.profeco.gob.mx/html/inicio/inicio.htm](http://www.profeco.gob.mx/html/inicio/inicio.htm)), presented in our December 2005 issue.

The Migrant Remittances team explored whether migrant groups and associations could fill this information gap. We contacted several migrant associations based in the United States and Europe (Netherlands and the United Kingdom) to find out what type of remittances-related initiatives and services they provide to their members. Our questionnaire gathered information about the associations' provision of remittances-related information, financial literacy training, and links with financial institutions, particularly with regard to financial instruments for saving or investing remittances.

Overall, we learned that while individual remittance transfers are an important topic, and members often share information informally, this does not necessarily translate into formal services or activities offered by migrant associations; they tend to focus on development projects in their countries of origin and cultural or integration activities in their host country. In general, only development- or philanthropic-oriented associations formally offer information about remittances, which they circulate via conferences, seminars, brochures, and websites.

Some organizations, such as the U.K. based Kenya Club ([www.kenya-club.org](http://www.kenya-club.org)), conduct research in terms of baseline surveys. This organization of Kenyan professionals and investors residing in Great Britain conducted The Kenya Club's Annual Bank Survey for Kenyans Abroad (2005), which explored money transfer and banking services available to Kenyans overseas. This survey is regarded as a fundamental service

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that helps Kenyans make informed decisions and facilitates partnerships between banks in Kenya and Kenyans living abroad. The next Bank Survey will be published in summer 2006.

Although migrant associations and hometown associations may not provide many services to assist individual remittance senders, they are very active in terms of collective remittances or donations sent to assist with the economic development of their hometowns or villages of origin. Hometown associations in particular are often formed with the intention of establishing social or development projects in their communities of origin, for example, buying an ambulance, establishing a scholarship fund, repairing a church, paving a road, or providing potable water.

In this case, information sessions focus on awareness raising and presentation of the development projects to be financially supported by members. For example, the Bangladesh Support Group in the Netherlands ([www.basug.nl](http://www.basug.nl)) is a development-focused organization that runs a number of development projects in Bangladesh to improve the well-being of the most vulnerable groups: women and children. To raise awareness, it has launched an initiative to promote remittances for the economic development of Bangladesh. The initiation was a forum on *Remittances and Expatriates: Development of Bangladesh*, held in April in The Hague.

Development-oriented migrant associations also offer financial literacy classes. However, some—such as Casa de Maryland (<http://www.casademaryland.org>), based in Silver Spring, Maryland, and the Salvadoran American Leadership and Educational Fund (<http://www.salef.org>), based in Los Angeles—provide classes on financial literacy that focus on integrating immigrants into the U.S. financial system rather than providing information on remittance-service providers or the key aspects of remittances such as the fee charges, the forex rate, and the time it takes.

Other migrant associations consider financial planning the first step toward increasing the development impact of remittances and, therefore, offer these courses in the country of origin. The Economic Resource Center for Overseas Filipinos, for instance, offers financial planning as one of its core programs. Because of the center's experience and good reputation in financial literacy programs, the Central Bank of the Philippines (Bangko Sentral ng Pilipinas – BSP) invited ERCOF to take part in its nationwide financial literacy and advocacy campaign, which began in February of this year. The objective of the campaign is to influence the use of remittances by receivers and to encourage savings. During the five-hour session, ERCOF presents the basic principles of financial literacy: a commitment to personal financial planning, the importance of savings, budgeting, planning for retirement, and maximizing one's resources. In addition, the program includes an introduction to various savings and investments channels in the Philippines.

Aside from the provision of remittances-related information and financial literacy classes, there are only a few migrant associations that actually offer savings and investment schemes for their members. The following associations have taken innovative steps to support their remittance-sending members.

## **Increasing Development Benefits of Migrant Remittances: The Case of the Philippines**

A key question for many Filipino migrant associations is how an increasing volume of remittances per year could lead to an improvement of the economic situation in the Philippines, in particular in the countryside.

### **ERCOF - The Economic Resource Center for Overseas Filipinos**

There are approximately 12,000 regional, social, civic, and other migrant Filipino associations abroad, of which 4,000 are considered active. In addition to remitting to their families, individual migrants and associations raise funds to support small infrastructure and humanitarian projects in the Philippines, such as building schools, hospitals, churches, and water wells; purchasing medicine; and supporting street children and orphans.

Among these associations is the Economic Resource Center for Overseas Filipinos ([www.ercof.org](http://www.ercof.org)). ERCOF was founded in 1999 in Geneva as a nonprofit organization working with other Filipino organizations and individuals around the world. In June 2003 it opened its Philippine office. ERCOF's programs seek to direct migrant savings and investments into rural finance and infrastructure in order to support local economic development in the Philippines.

One of ERCOF's programs, Savings & Investments in Microfinance Institutions (MFIs), promotes savings in time deposits in Philippine MFIs. ERCOF collaborates with the Xavier Tibod and the Xavier Punla Rural Bank, two microfinance banks founded and managed by the Milamdec Foundation, a private foundation involved in microfinance activities. Migrants' savings are transferred to an account held by one of the microfinance banks at a commercial bank in the Philippines, because rural banks cannot manage foreign currency accounts. The Milamdec Foundation sends the investment contract and time deposit certificate to each individual saver. The time deposits are locked in for at least one year and interest rates range from 8.5 percent to 10 percent per annum. Investments in MFIs are particularly advantageous because the Philippine Deposit Insurance Company covers deposits up to PHP 250,000 (\$4,898).

Time deposits are an interesting tool—they generate income for investors while also enhancing the capitalization of MFIs, which increases the availability of microfinance loans in the local community.

Overseas Filipino workers seem to prefer investing in MFIs close to their hometowns, and ERCOF receives many requests to facilitate such investments. ERCOF is currently negotiating a partnership with the Rural Bankers Association in the Philippines to encourage its microfinance-oriented banks (about 120 throughout the Philippines) to partner with ERCOF in offering time deposits, as well as other products and services, to migrant savers.

### **ERCMOVE - The Economic Resource Center for Migrants and Overseas Employees**

ERCMOVE ([www.ercmove.nl](http://www.ercmove.nl)) was founded in 2003 as an ERCOF working group in the Netherlands. Its goal is to foster the economic empowerment of migrants and overseas workers in the Netherlands, and to enable them to contribute to the sustainable development of local communities in their countries of origin.

An important part of ERCMOVE is to change the savings habits of Filipinos and to encourage them to save and invest money in projects, nongovernmental organizations, or MFIs. ERCMOVE provides information sessions on how to save individually or in a group and how to send these savings to MFIs in the Philippines. The Economic Resource Center participates in the time deposit scheme currently promoted by ERCOF in partnership with Milamdec Foundation's microfinance operations through Xavier Punla Rural Bank. In addition, ERCMOVE offers financial literacy classes that include information about remittances.

There is currently no webpage available that compares money transfer costs from the Netherlands to other countries. To give a brief overview of the differences in transfer costs, ERCMOVE has conducted a small survey on its own to compare costs of remittances from the Netherlands to the Philippines, Somalia, Sudan, and Ethiopia. The survey was presented at a forum on February 10, 2006, at the Institute of Social Studies in The Hague. The forum aimed to brief approximately 20 migrant organizations in the Netherlands about ERCMOVE's time deposit scheme and other initiatives.

On March 13, the *Philippine Daily Inquirer* announced that the BSP had authorized qualified rural banks to offer the maintenance of foreign currency deposit accounts to prospective clients. Applicants must have a minimum capitalization of PHP 20 million (\$391,865). This initiative should encourage Filipino migrants to send remittances through formal channels. The BSP released the relevant circular on March 23, 2006 in which it summarizes the requirements (<http://www.bsp.gov.ph/regulations/regulations.asp?type=1&ID=796>).

Although this service will not be available immediately, it represents an important step forward in attracting remittances to formal financial services and savings or investment.

## Remittances and Development in Honduras

### Savings and Investment Club Nuevos Horizontes

The main driver for founding Nuevos Horizontes, a savings and investment club in New York City that also teaches its members about financial literacy, was the exclusion of Honduran immigrants from the financial system in the United States. Its founder, Jose Avila, observed that many Honduran immigrants were "unbanked"—they used check-cashing stores, saved informally, borrowed from loan sharks, and lacked capital to start business activities or to invest.

Nuevos Horizontes' idea is to offer immigrants from Honduras the opportunity to participate in an investment fund that will enable them to invest jointly in opportunities that could yield returns. Since its foundation in 2000, Nuevos Horizontes' membership has increased to 100 and its members' capital has grown. Nuevos Horizontes reports that with these funds, it purchased a five-story building and maintains an investment portfolio managed through a financial advisor.

In order to address the financial needs of its members, Nuevos Horizontes is negotiating a partnership with the not-for-profit credit union Bethex, which is part of the World Council of Credit Union's IRNet, a money transfer service for credit unions.

Nuevos Horizontes is also in discussion with the Multilateral Investment Fund of the Inter-American Development Bank to participate in an ecotourism investment project in Honduras. This project could support 10 microentrepreneurs who already work in tourism to help their businesses grow.

## Initiatives

### CGAP

From February 27 to March 3, 2006, the Consultative Group to Assist the Poor (CGAP), the World Council of Credit Unions, the Inter-American Development Bank/Multilateral Investment Fund, and the International Fund for Agricultural Development held an e-conference on money transfers for microfinance institutions. The aim of this virtual conference was to help microfinance institutions make strategic and operational decisions on international and domestic money transfers and to generate input for the forthcoming *Money Transfer Operational Guide for MFIs* developed by CGAP. For more information, please visit the conference website at: <http://www.dgroups.org/groups/worldbank/moneytransfers/>

### IFAD

The International Fund for Agricultural Development (IFAD) and the European Commission have launched the Promoting Innovative Migrant Remittance Systems program to alleviate rural poverty through the development of innovative remittance services. Co-financed by the EuropeAid Co-operation Office as part of the AENEAS program, a Funding Facility on Remittances (FFR) has been established to support innovative remittance services that are cost-effective, easily accessible, and, when possible, linked to other financial services such as savings, insurance, and lending. Through a competitive process, FFR will launch calls for proposals and then select and finance innovative projects. Proposals will be encouraged from migrant groups, such as hometown associations, that support local development projects in their communities of origin. For further information, please contact Henri Dommel ([h.dommel@ifad.org](mailto:h.dommel@ifad.org)) and Francesco Rispoli ([f.rispoli@ifad.org](mailto:f.rispoli@ifad.org)).

## Information

### News

New countries added to the [www.sendmoneyhome.org](http://www.sendmoneyhome.org) site: India, Ukraine, South Africa, Ethiopia, Rwanda, Jamaica, Kenya, Bangladesh, China, Ghana, Nigeria

U.K. Remittances Task Force launched – On March 27, 15 banks and money transfer companies attended the first meeting of the private-sector Remittance Task Force. The task force aims to increase remittance flows to developing countries through formal channels.

### Surfing the Web

<http://www.id21.org/insights/insights60/index.html>  
"Sending Money Home, Can Remittances Reduce Poverty?" *id21 insights*, January 2006, Issue #60.

[http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news\\_view&newsId=20060228005243&newsLang=en](http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20060228005243&newsLang=en)  
"Western Union Partners with Mexican Government to Create Remittance Calculator," First Data, February 28, 2006.

<http://www.alertnet.org/thenews/newsdesk/L17234194.htm>  
"Migrants in UK Struggle with High Remittance Fees," Reuters Foundation, February 20, 2006.

<http://www.iadb.org/mif/v2/remitConf05.html>

Agenda and presentations of the conference *Remittances as a Development Tool in Peru*, organized by the Inter-American Development Bank and the Multilateral Investment Fund, December 5, 2005, Lima, Peru.

## Events

May 23–28, 2006—*International Conference on Migration and Development in DAP*, Tagaytay City, Philippines, organized by the International Network of Alternative Financial Institutions (INAFI) Asia and Philippines, and sponsored by Novib Oxfam, Netherlands. Contact: [inafiphils@yahoo.com](mailto:inafiphils@yahoo.com) and [leila.rispens-noel@novib.nl](mailto:leila.rispens-noel@novib.nl)

October 26–28, 2006—*Second International Colloquium on Migration and Development: Migration, Transnationalism, and Social Transformation*, hosted by the International Network for Migration and Development, Morelos, Mexico. Deadline for paper/presentation submissions: May 5, 2006. Contact: Luz María Vázquez García, [vazquez@correo.crim.unam.mx](mailto:vazquez@correo.crim.unam.mx), 52(777)329-08-03; or Rosa Lilia Álvarez García, [rlag@servidor.unam.mx](mailto:rlag@servidor.unam.mx), 52(777)329-1837. <http://www.migracionydesarrollo.org>

## Publications

- Adams, Richard H., Jr., *Remittances and Poverty in Ghana*. World Bank Policy Research Working Paper Series No. 3838, February 2006. <http://ideas.repec.org/p/wbk/wbrwps/3838.html>
- Caskey, John P., Clemente Ruiz Duran, and Tova Maria Solo. *The Urban Unbanked in Mexico and the United States*. World Bank Policy Research Working Paper WPS3835, February 1, 2006. [http://www-wds.worldbank.org/servlet/WDS\\_IBank\\_Servlet?pcont=details&cid=000016406\\_20060126162730](http://www-wds.worldbank.org/servlet/WDS_IBank_Servlet?pcont=details&cid=000016406_20060126162730)
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- Gupta, Poonam. *Macroeconomic Determinants of Remittances: Evidence From India*. International Monetary Fund, Working Paper 224, 2005. <http://www.imf.org/external/pubs/ft/wp/2005/wp05224.pdf>
- De Haas, Hein. "International Migration, Remittances and Development: Myths and Facts." *Third World Quarterly* Vol. 26, N. 8 (November 2005): 1269–84. [http://www.metapress.com/\(e12cnw55pmciq155bnouvvr\)/app/home/contribution.asp?referrer=parent&backto=searcharticlesresults,1,2;](http://www.metapress.com/(e12cnw55pmciq155bnouvvr)/app/home/contribution.asp?referrer=parent&backto=searcharticlesresults,1,2;)
- VanWey, and Karin Leah. "Community Organization, Migration, and Remittances in Oaxaca." *Latin American Research Review* Vol. 40, No. 1 (2005): 83–107, University of Texas Press.

## MIGRANT REMITTANCES

*Migrant Remittances* is a forum to share information about migrant remittances (debates, new developments or initiatives, new data, case studies, and publications). It is distributed electronically and contains links to access more information.

This newsletter is edited and produced on behalf of the U.K. Department for International Development (DFID) and the U.S. Agency for International Development (USAID) by Development Alternatives, Inc. and its partners Bannock Consulting and ACCION International.

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and many colleagues and readers who provided information and updates.

Thank you!

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Earlier issues of the newsletter are available at:

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