

MIGRANT Remittances

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From the Editors

Dear Readers,

Change and continuity in money transfers have shaped 2008, while uncertainty in 2009 looms in people's minds. This issue shows that remittances are suffering downward shifts in some countries and upward or steady flows in others. While these shifts are believed to be associated with current global trends, the steadiness is yet to be explained by other issues. To further discuss these issues we include comments and analyses from policy and business practitioners. The issue also includes continued shifts in the industry to adapt new technologies or partner with technology innovators. Thus, both in development policy and business practice, efforts to expand services and deepen ties to financial access continue. We look forward to a 2009 with silver linings and positive results in the midst of global economic hardship.

Manuel Orozco and Anna Ferro

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Worldwide Trends in International Remittances

Highlights on International Flows

2008 remittance trends beyond the first half of the calendar year. *Also see Q&A section of this issue.*

Africa: Kenya experienced a year-on-year decline in remittances during the third quarter of 2008. The country received \$136.5 million, a 21 percent year-on-year decrease from the same period in 2007. The first and second quarters experienced steady year-on-year growth of 27 and 30 percent respectively. The Kenyan Central Bank and Finance Ministry have convened an emergency committee to analyze this decline in money transfers from the diaspora abroad. The decline may be attributed to the global economic downturn. *See country profile in August 2008 issue.*

Cape Verde received \$9.67 million in September, bringing the Q3 total to \$33.6 million, a 9.2 percent year-on-year increase from 2007. The country received \$9.1 million in October, a 5.9 percent increase from October of last year. Most of this money, which represents approximately 10 percent of the country's GDP, comes from Portugal and France according to the archipelago's Central Bank.

Central Asia: Kyrgyz government officials report that declining remittances and Russian and Kazakh economies will contribute to an economic decline in Kyrgyzstan by February or March 2009. Since the beginning of

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TABLE 1: REMITTANCES QUARTERLY GROWTH YEAR-ON-YEAR Q1 2006 – Q3 2008 (PERCENT)

	2006				2007				2008		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Mexico	29.1	21.4	12.9	7.7	3.0	-1.2	2.6	-0.4	-3.4	-1.1
El Salvador	24.6	16.4	12.1	9.2	7.9	7.1	8.0	3.1	6.1	7.1	2.6
Guatemala	20.2	21.2	27.4	14.4	11.9	13.3	17.3	14.7	9.8	7.8	6.0
Honduras	39.4	42.7	27.6	21.6	11.7	8.7	12.1	7.3	9.9	12.0	4.3
Nicaragua	13.0	13.2	18.7	8.7	-4.9	7.7	6.4	14.8	22.8	13.5	8.7
Colombia	17.1	26.8	14.2	12.3	11.0	-2.0	23.2	29.1	20.1	19.2	10.4
Ecuador	9.4	17.2	23.3	26.8	3.5	8.5	6.9	3.0	12.3	-7.8	-13.0
Jamaica	3.6	7.6	7.4	9.9	7.8	10.0	11.8	13.9	11.8	11.0	4.3
Dominican Republic	10.6	18.6	17.6	5.6	17.2	10.7	7.2	8.8	7.9	5.3	1.8
Total 9 countries	23	21	15	11	6	3	7	6	4	3	-2
Hisp. Unempl. in USA	5.6	5.2	5.3	4.9	5.4	5.7	5.7	5.7	6.5	7.2	8.2

Sources: Central banks of each country. Please note that the information above reflects the most accurate data to date, but that these figures are subject to revision.

November, over \$800 million has been sent to Kyrgyzstan in 2008.

Latin America and the Caribbean: According to recent data from central banks in the top remittance-receiving countries in the region, growth slowed down overall in the region, but only Mexico and Ecuador experienced a negative growth in Q3 (See Table 1).

Peru received \$1.82 billion in remittances the first three quarters of 2008, an 18.9 percent year-on-year increase. Q3 remittances amounted to \$630 million, a 16 percent increase from the same period in 2007, according to the country's Central Bank. Remittances to Belize grew slightly in the third quarter, totaling \$19.5 million, a 4.4 percent year-on-year increase.

Jamaica received \$526.9 million in Q3, a 4 percent year-on-year increase. In September alone, remittances increased by 9 percent compared to the same period in 2007. In the first three quarters, the country received \$1.56 billion, an 8.9 percent year-on-year increase. Indeed, money transfer companies—Jamaica National Overseas, Western Union and MoneyGram—reported steady increases in transfers to the country. The money comes predominantly from the United States followed by the United Kingdom. To learn more about recent remittances trends in Latin America and the Caribbean, see a recent discussion with experts in the field: <http://www.thedialogue.org/page.cfm?pageID=32&pubID=1655&s=>

After experiencing a -12.2 percent year-on-year decline in August—the largest remittance decrease since the Central Bank began keeping record—Mexico received \$2.45 billion in October, a 13 percent year-on-year increase. According to the Central Bank, the number of money

transfers decreased by 2.9 percent while the amount of money sent increased by 16.4 percent compared to October 2007. Some suggest the sharp depreciation of the Mexican peso compared to the U.S. dollar in October 2008 partly led to the increase in remittances. Moreover, BBVA Bancomer, a leader among Mexican banks that pay remittances, had a 45 percent year-on-year increase in its electronic transfers that same month.

Global projections for 2008. The Inter-American Development Bank estimates that Latin America and the Caribbean will receive \$67.5 billion in remittances in 2008, a 1.5 percent increase from 2007. In real terms, due to factors such as inflation, currency depreciation and exchange rates, remittances will contribute a negative 1.7 percent to households compared to in 2007. The World Bank predicts that this region will receive \$61 billion, a 0 percent growth rate from 2007. Globally, the Bank estimates that developing countries will receive \$283 billion this year, a 7 percent increase from last year, with growth rates varying from 0 to 16 percent depending on the region. It is estimated that East Asia and Pacific will be the largest-receiving region with \$62 billion and South Asia will have the largest year-on-year increase with 16 percent. *See Publications.*

Global prospects for 2009 and 2010. The World Bank estimates that remittance growth will decline further in the medium term, growing at -0.9 percent in 2009 and then increasing to 6 percent in 2010. These rates are expected to vary from region to region depending on countries' ability to recover from the economic downturn and the employment situation in the host countries, among other factors. The head of the U.N. Conference on Trade and Development predicts that remittances will decline between 1 and 6 percent worldwide in 2009.

Manuel Orozco of the Inter-American Dialogue predicts that, based on prospects for migration trends (migrants returning to home countries and Latin Americans going to host countries) and GDP growth in the United States, remittances to Latin America and the Caribbean may not decrease, and if so, only by 3 percent in 2009. *See Publications.*

Export of skilled labor from Pakistan to enhance remittances. The National Vocational & Technical Education Commission (Navtec) is working to export a well-trained and skilled workforce to Middle East and Gulf regions to maximize foreign remittances to Pakistan and to improve conditions of workers' families. Three batches of 120 trainees from the Pakistan Ordnance Factories Institute of Technology (POFIT) have recently completed three-month technical training courses in 30 different trades. Moreover, the President of the Islamabad Chamber of Commerce and Industry asked Pakistani expatriates to send remittances to the country in order to boost foreign exchange reserves.

Western Union temporarily waived fee for transfers from Saudi Arabia to Yemen. The waiver period was for transfers conducted from November 15 to November 20, 2008. The initiative intended to extend financial assistance to the thousands of Yemeni expatriates working in the Kingdom of Saudi Arabia (KSA) who sent money back home to relatives and friends who may live in areas hit by recent catastrophic floods.

Money transfer operator (MTO) trends

In the third quarter of 2008, *Western Union* experienced a 10 percent year-on-year growth in revenue, totaling \$1.38 billion. Its operating income increased 14 percent to \$375 million, including \$3 million for restructuring expenses. The company's international consumer-to-consumer segment, which represents 69 percent of the MTO's revenue, reported a 15 percent revenue growth and 19 percent transaction growth. Transactions that originate outside of the United States grew by 21 percent in revenue and 28 percent in number. These transfers account for over half (57 percent) of Western Union's Q3 revenue. The Western Union President and Chief Executive Officer attributes the company's sustained growth to its geographically diverse portfolio.

Euronet Worldwide, a global electronic payments provider, had overall revenue of \$280.7 million in the third quarter of 2008, compared to \$241.7 million in the same period in 2007. Its money transfer segment revenue had an 11 percent year-on-year increase with \$59.5 million. Gross margins increased by 19 percent, due in large part to

steady revenue growth from transactions not originating in the United States and to the management of exchange rates. The number of transactions in this period increased by 300,000 to 4.3 million compared to Q3 2007.

UNISStream, a Moscow-headquartered money transfer company, reported a 52 percent year-on-year growth in transfers in the first 9 months of 2008. Transfer amounts in the January-September period of 2008 exceeded \$3.72 billion, up from \$2.44 billion over the same period in 2007. In the third quarter alone, the company processed 1.6 million transfers totaling \$1.54 billion, a 34 percent year-on-year increase. Chairman Zakaryan attributes the growth to the company's development strategy. Over the past year, UNISStream increased the number of service points in Russia (from 226 to 280) and strengthened its position in Armenia, Kyrgyzstan, Ukraine, Uzbekistan and Tajikistan. In addition to securing a leadership role in nearby markets, UNISStream has opened an affiliate in the UK, which has tripled the number of transactions to 2.2 million since the beginning of 2008.

In the third quarter of 2008, *MoneyGram's* revenue was \$286 million, an 18 percent year-on-year increase, due in part to a 19 percent growth in money transfer revenue and 14 percent growth in the number of money transfer transactions. The company continued to expand its network by increasing its money transfer agents by 17 percent (about 162,000 additional locations). Overall however, the company had a net loss of \$38.6 million due to investment losses.

Regulatory Issues Around the World

Nigerian Central Bank bans exclusivity agreements that hinder competition. In November, the acting director of bank supervision notified all deposit-taking banks that the Central Bank would no longer approve agreements between international money transfer operators (MTOs) and agent banks in Nigeria that include an exclusivity clause restricting the agent bank to pay out for only one MTO. Moreover, banks were instructed to review their existing agreements and eliminate any such clause. The Central Bank expressed that exclusivity clauses hinder competition in the money transfer market and increase the cost of money transfer services. *See Research Note "Future Trends and Competition in Money Transfers: The Exclusive Agreement Issue" in the February 2008 issue of Migrant Remittances.*

New regulations for money transfer operators in Micronesia. In response to the recent closing of several MTOs and reduced remittance flows, Micronesia proposed new regulations that require companies to

make a \$100,000 security deposit or bond (currently it is \$50,000), to file electronic copies of their quarterly reports, to provide more information in the reports, and to comply with federal registration and reporting requirements. Under the proposed regulations, fees for foreign currency exchange companies and remittance companies would increase, as would the price for obtaining a remittance agent license.

Failure to comply with regulations. In July 2008, the Serious Organised Crime Agency (SOCA) visited 40 money transfer operators in Bradford, England, and discovered that many of them were not fully compliant with regulations. A number of the money transfer businesses were not registered with the HM Revenue and Customs, and many had failed to train their staff adequately, thus failing to comply with obligations imposed under the 2007 Money Laundering Regulations (MLRs). The SOCA's operation also led to concerns about the extent and quality of record keeping and found evidence that businesses did not have procedures that would allow them to identify suspicious customer behavior.

International Cooperation and New Projects

The **Global Forum on Migration and Development** in October 2008 in Manila was attended by 220 delegates from around the world. The Forum report outlines key recommendations for the governments of both migrant-sending and -receiving countries and reaffirms the obligations of sending governments to set up laws, policies and institutions. The report also urges migrant-receiving countries to separate the migration and development agenda from national security issues. Migrant-receiving countries are encouraged to recognize the contribution of migrants, take measures to protect their rights, and foster policies based on reciprocity between the countries of origin and destination. All governments are urged to ratify and enforce core UN human rights treaties providing for equal treatment and protection of migrants. Finally, the report calls for improved data collection, institutional coordination and coherence, and the protection of migrants' family unity. *See Publications.*

The 2009 International Forum on Remittances will be held in June in Nairobi, Kenya. This year's forum will focus mainly on remittances to and within the African continent. The objective of the forum is to raise awareness among different stakeholders in the remittance market, and highlight the potential benefits that remittances can bring to the social and economic development of the African continent. To learn more and

register for this conference, please visit:
<http://www.ifad.org/events/remittances/index.htm>.

The Remittances, Business Models and Technology Fair will run parallel to the Forum to allow private-sector entities and other stakeholders to exhibit their products and services. The fair will serve as an opportunity to interact with other key players in the remittance market, involving the public, private, and civil society sectors. For more information and registration, please contact: remittances@ifad.org.

Organization of American States (OAS) Special Committee on Migration Issues. In June 2008, the OAS took action on an October 2007 mandate to create a Special Committee on Migration Issues. This committee will have a series of meetings from August 2008 to May 2009. Ambassador Nestor, Permanent Representative of Belize to the OAS is the Chair. The committee's mandate is to analyze migration issues and flows while taking into account international laws. Specifically, it will link OAS efforts to regional migration efforts, "map" best practices with respect to migration for OAS countries, write a report on temporary worker programs in the OAS countries, and hold a forum and seminars on relevant issues.

European Commission-United Nations Joint Migration and Development Initiative. This recently launched, three-year initiative aims to support local authorities, non-governmental organizations, and diaspora groups in linking migration and development in sixteen countries (Georgia, Moldova, Morocco, Tunisia, Algeria, Egypt, Senegal, Cape Verde, Ghana, Nigeria, Mali, Ethiopia, Sri Lanka, Philippines, Jamaica and Ecuador). The initiative prioritizes four key areas: migrant remittances, migrant communities, migrants' capacities, and migrants' rights. A call for proposals has been launched to provide €11 million in funding to promising projects in these thematic areas; the due date is March 13, 2009. A knowledge management platform (www.migration4development.org) has also been established to provide a web-based open forum for practitioners working in migration and development. UNHCR, UNFPA, ILO, and IOM are other partners involved. The Migration and Development Knowledge Fair in Brussels in December 2008 was also tied to this joint initiative. *See Events.*

Fondazioni4Africa project in Italy—Senegal. Funded in Italy by four bank foundations (Fondazione Cariplo, Fondazione Monte Paschi di Siena, Fondazione Cariparma and Compagnia di San Paolo), the project aims to support development initiatives in Italy and Senegal, and improve

the channelling of remittances to Senegal. Four NGOs, two migrant associations and the research institute CeSPI are involved in the project. Activities undertaken by the project include one directed at channelling remittances into microfinance institutions in Senegal, and another at training migrant associations in managing development projects in the origin country.

Joint AusAID-NZAID initiative to reduce cost of transfers. The Australian Agency for International Development (AusAID) and Developing Markets Associates Ltd. (DMA) are partnering on an AusAID and New Zealand Agency for International Development (NZAID) led initiative to reduce the cost of remittance transfers from Australia and New Zealand to South Pacific Island nations. DMA has been commissioned to develop and maintain a remittance price comparison website (www.sendmoneypacific.org) that will allow migrants from eight South Pacific Island nations to compare all available money transfer services from Australia and New Zealand to their home country. The site will enable migrants to compare costs, transfer methods, speed of transfer, and exchange rates so that they are better informed on the different transfer options. The website is expected to be launched in early 2009.

Migration and Development Statistical Almanac. The Institute for Migration and Development Issues, in collaboration with the Commission on Filipinos Overseas and the Philippine Overseas Employment Administration, is working to create a *Migration and Development Statistical Almanac*. Recognizing a significant interaction between population dynamics (both internal and external) and development, this initiative aims to collect extensive population data and present it in a way that will help policymakers, the media, overseas Filipinos, and development organizations to direct their development efforts.

4+1 Program expands. Western Union announced plans to fund an additional twenty-one “4+1” Projects across Mexico—in Zacatecas, Veracruz, Guanajuato, Michoacán, and Guerrero—a nearly \$143,000 investment. Since the program began in 2005, the company has allocated more than \$430,000 for a variety of “4+1” economic and community development projects. The “4+1” Program is an extension of the “3+1” Program, which was established by the Mexican Government in partnership with Mexican Hometown Associations in the United States. Funds will be used to invest in technical assistance and equipment for existing industries in the beneficiary states. Western Union’s *Our World, Our Family*—a five-year, \$50 million corporate signature program supported by

the Western Union Foundation and the Western Union Company—sponsors this development initiative.

Transnational cooperative development efforts involve Guatemalan diaspora. The Center for International Migration and Integration (CIMI) is leading the Guatemala-Diaspora Initiative, which will gather Guatemalan immigrants based in Florida, Guatemalan NGOs, representatives from the Guatemalan Ministry of Foreign Affairs, and international donor institutions to coordinate and advance cooperative development efforts. These projects are directed towards increased employment and investment in Guatemala, the development of community and identity, and the increased capacity and willingness of the Guatemalan community to help itself.

Indian companies seek to lure diaspora investment. India, one of the top remittance-receiving countries in the world, is seeking to increase the amount of remittances directed toward investments in the country. The Indian government began a series of 16 investment meetings among Indian businesses and the diaspora to be held in the Middle East, United Kingdom and United States, the areas with the largest Indian diaspora populations. Key areas of investment include real estate, infrastructure, healthcare, education, assisted living, wealth management and real estate.

Ugandans in the United Kingdom launch business association. Ugandans working in the UK formed the Uganda Business and Professionals Association (UBPA), aimed at mobilizing the Uganda diaspora and other investors to invest in Uganda. Moreover, the Uganda Investment Authority and the private sector held a diaspora-investment summit in December 2008 to encourage Ugandans working abroad to invest in the country. Ugandans in the UK and North America have already begun investing. Projects include Gulu Independent Hospital, Mbarara Community Hospital, Paragon Hospital, Executive Airport Hotel, Lindsay Apartments and Akright projects. Central Bank statistics have shown a significant increase in capital inflows over the past few years as inbound remittances tripled from 2005 to 2007 to nearly \$900 million. *See Events.*

Postal agreements worldwide. Postal leaders from Egypt, Jordan, Morocco, Qatar, Syria, Tunisia, Yemen and the United Arab Emirates signed an agreement to implement a regional, low-cost, post-to-post money transfer system that will provide a secure way for migrants to send money. The agreement will increase the channels through which migrants can send money to these countries. More countries were expected to join by the end of 2008. Additionally, the United States Postal

Service and the Philippine Postal Corporation signed a bilateral agreement to allow fast, secure and cheap money transfers. Though guidelines for its implementation are still awaiting approval from the U.S. Postal Regulatory Commission, the project is expected to be launched by early 2009. This agreement will particularly affect the more than 4.4 million Filipino migrants in the U.S. who sent roughly \$8 billion last year.

AfDB studies the Migrant Remittances Development Challenge. African Development Bank conducted a study of the Migrant Remittances Development Challenge to take stock of the overall financial flows from the diaspora. The study seeks to identify the mechanisms governing the remittances market, the supply and demand determinants, the volume of the flows, as well as the formal and informal channels that exist, their distribution and utilization. It puts into perspective the strategies employed by various actors involved—the migrants, beneficiary households, and other financial operators. The study focuses on Morocco, Senegal, Mali, and the Comoros.

IAMTN awards. The Second International Association of Money Transfer Networks (IAMTN) Awards were presented at the Money Transfers Conference in London on November 18, 2008. The award for top manager in the money transfer business was awarded to a manager from Dahabshil and the award for most innovative company in money transfers was presented to Mukuru.

Mobile Remittance Schemes

Trends in mobile transfers. Revenues derived from mobile money transfer services are expected to exceed \$5 billion globally by 2013, according to Juniper Research. In the third report of its *Mobile Payments Series*, Juniper Research found that there is significant opportunity for providers and vendors to enter the mobile money transfer market, which is expected to take off as soon as 2010. The study explores how mobile money transfers will transform the ability of traditionally ‘underbanked’ populations to make remittance payments by allowing them to use their mobile phones as mobile wallets. The report predicts that Western Europe, Africa & the Middle East, and East Asia & China will represent over 60 percent of the gross mobile money transfer transaction value by 2013. See *Publications. Also see Guest Article “Remittances and Mobile Banking” in July 2007 issue of Migrant Remittances.*

Western Union partners with Orascom Telecom Holding. The MTO teamed up with the mobile phone operator that serves 77 million subscribers in the Middle

East, Africa and Asia. Orascom Telecom operates in several top remittance-recipient countries in the world, including Bangladesh (\$6.6 billion in remittances in 2007), Pakistan (\$6.1 billion) and Egypt (\$5.9 billion). Orascom Telecom networks reach areas where access to financial services is limited; its partnership with Western Union is expected to extend money transfer services to many families.

M2 Global Limited acquires iKobo. iKobo, an online money transfer company based in Atlanta, is shutting down operations after fundraising fell through. The company’s lead funder, a venture firm, pulled out from an investment deal following the economic implosion. M2 Global Limited, a leader in online electronic payment systems, acquired iKobo’s assets and established a hotline and other customer support actions to ensure that iKobo customers can soon resume sending and receiving money worldwide.

Asian Development Bank loan to be used to strengthen mobile phone coverage. The Asian Development Bank approved a \$55 million loan to Roshan, the leading mobile phone provider in Afghanistan. The loan will be used to extend coverage to parts of the country that have little or no telecommunication infrastructure in place. The company, whose network currently covers more than half of the population, will introduce mobile phone services to remote and war-torn areas where accessibility to communication services and capital will be vital in national reconstruction efforts.

Tigo in Paraguay. Tigo, Paraguay’s largest mobile phone operator, has attracted 150,000 users to its electronic payment system, called Tigo Cash. The mobile phone company has over 2.6 million subscribers in Paraguay, a 44 percent share of the market. Tigo’s mobile banking system is being tested in Paraguay before it is launched at other subsidiaries around the world.

Remittances and Financial Intermediation

Xoom.com partners with Grupo Financiero Banorte in Mexico. In October 2008, Xoom.com announced a new partnership with Grupo Financiero Banorte, one of the oldest and largest Mexican-owned banks. The partnership will expand the online money transfer company’s cash pick-up network in Mexico by 8,000 locations and add bank deposit services to Banorte accounts. It reflects the increasing number of Mexican immigrants in the US who own bank accounts and use the

internet to conduct money transfers. Moreover, Xoom.com already has alliances with major banks, including BBVA Bancomer and HSBC in Mexico.

Microfinance International Corporation (MFIC) expands its transnational products and is awarded prestigious Legatum Fortune Technology Prize.

In order to promote the use of remittances in business investments, MFIC has partnered with U.S.-based non-profit TechnoServe, which has expertise in supporting entrepreneurs in developing countries to create and improve small and medium businesses. The first pilot project, funded by the International Fund for Agricultural Development (IFAD), seeks to expand transnational loans in El Salvador. In addition, MFIC's Alante Financial retail branches have partnered with Biomedicorp, a Hispanic health service provider, to offer health insurance to customers' family members in Bolivia and El Salvador. Coverage for family members in other countries will soon follow. MFIC also formed an alliance with Construmex to provide migrants with financing for home purchases or improvements in Mexico. In December 2008, MFIC was awarded the first Legatum Fortune Technology Prize for its "application of innovative technology in building financial infrastructure for the poor worldwide."

Moneybookers teams up with Sendmoneymoneyhome.org and Mukuru. Moneybookers, a European online payment system provider, partnered with SendMoneyHome.org, the UK money transfer comparison website, to allow instant online money transfers. Moneybookers also launched a remittance service with Mukuru, an online remittance company founded by Zimbabweans based in the United Kingdom. Instead of money, the recipients receive a "TXT coupon" to their mobile phones. The coupons can be redeemed for actual goods across a network of local stores, banks and petrol stations. People across 230 countries and in 32 different currencies can access this service.

SWIFT launches Workers' Remittances 1.0. The money transfer platform's pilot project will run from October 1, 2008 to March 31, 2009. More than 20 banks—several of which are based in Colombia—have agreed to test the pilot, which promises to cut the cost of other remittance methods by removing the middle man.

Central Bank of the Philippines launches Financial Literacy Campaigns (FLCs) in Hong Kong and Singapore. The FLCs were started in February 2006 in 24 cities in the Philippines and are now being taken to countries with large Overseas Filipino Worker (OFW) populations. These FLCs are intended to provide financial education to Filipinos abroad and are expected

to take place in Saudi Arabia, Japan, and Italy. The first international FLC event in Hong Kong was attended by 131 OFWs, 23 members from various sectors, and the Philippine consulate in Hong Kong.

Western Union expands network. The MTO launched a joint venture with Absa in South Africa. Having offered its money transfer service in pilot locations in Gauteng in September 2008, Western Union hopes to expand the service to 200 branches within one year. Absa is the largest retail bank in South Africa. The World Bank reports that formal remittances to the country total \$2 billion per year.

MoneyGram expands network. The MTO expanded its service to Luanda, Angola. The country is receiving increased remittances from Portugal and Brazil. Payments will be available in three currencies depending on the client's preference—euro, dollar and kwanza (Angola's currency)—through Diamond Trust Bank and National Bank of Kenya. The company reports that expanding this service to other areas of the country is a challenge due to the underdeveloped technology and poor infrastructure resulting from the civil war. MoneyGram also now offers money transfers and last-minute bill payments through Cardtonics Inc.'s Vcom kiosks, which are installed in many 7-Eleven convenience stores and other key markets.

Remittances Customer Charter

Seymour Fortesque (Chair, UK Remittances Task Force)
A Remittances Customer Charter was launched in the United Kingdom in January 2008. It provides reassurance to consumers on pricing and exchange rates, information on how long a transfer will take and what to do if things go wrong.

All the leading MTOs, except Western Union and a number of smaller firms, have signed up for the Charter. Copies, in various languages, are displayed in their offices and on their websites. From November 2009, the EU Payment Services Directive (PSD) will mandate the information that consumers receive. However, the Charter goes beyond the PSD in two important respects. First, it covers transactions that go outside the EU—the great majority of migrant remittances—whereas the PSD applies to intra-EU payments. Second, it requires MTOs to state how much the recipient will receive in the local currency, thus greatly facilitating price comparisons. The possibility of launching an international charter was discussed at the first meeting of the Public/Private Partnership on Remittances in Vienna in September. There was enthusiasm for setting standards of good practice internationally, but there were some concerns about how the Charter would be administered and how compliance would be monitored.

Online Resources on Remittances

A blog on migration and remittances by the World Bank:
<http://peoplemove.worldbank.org>

Guides for sending money:

Germany (<http://www.geldtransfair.de>),
The Netherlands (<http://www.geldnaarhuis.nl>), and
Norway (<http://www.sendepenger.no>).

Global Remittance Price Database by the World Bank:
remittanceprices.worldbank.org

RESEARCH NOTE Q&A

How is the global economic recession affecting remittances?

Comments provided by: Isabelita T. Manalastas-Watanabe (First Senior Vice President and Sector Head for Europe, Israel & African Continent, Philippine National Bank), Robert W. Meins (Remittances Specialist, Inter-American Development Bank, IDB), Manuel Orozco (Senior Associate and Director for Remittances and Development, Inter-American Dialogue, IAD), and Kai Schmitz (Executive Vice President and Chief Operations Officer, Microfinance International Corporation, MFIC).

Q. What are the limits to the counter-cyclical nature of remittances? Would a global economic recession change/alter the typical patterns of remittances by reducing flows?

Isabelita T. Manalastas-Watanabe: Migrants' remitting behavior is certainly shaped by many factors, including macroeconomic ones, such as cyclical trends. But migrants also carefully follow exchange rates in order to maximize the value of their money transfers. Exchange rate fluctuations are often symptomatic of economic cycles and therefore influence the amount remitted. Specifically, if the exchange rate drops in their home country, migrants remit more money, but if it remains high, they remit their average amount.

Evidence from remittance transfers by Filipino workers in Italy (estimated at 128,000 people) shows how foreign exchange behavior is important in their decisions. To answer the question raised for this newsletter, 40 Filipino overseas workers were randomly interviewed at branches of the Philippines National Bank in Italy where they remit. The interviews were done on November 2nd, when the euro/peso remittance rate offered was 2 pesos less than the week before. The results showed that migrants would remit the same amount of money even though the

euro/peso exchange rate dropped, rather than wait for a better rate. However, when asked what they would do if the rate went up, 85 percent said they would remit more to maximize on the good rate.

Another important finding from these interviews is that nearly half (45 percent) of those indicating they would remit more said they would save the money in their own accounts and in the accounts of their beneficiaries in the Philippines. Twenty-five percent said they would save the money only in their beneficiaries' accounts.

These interviews were validated by examining the daily average remittance volume per capita against the daily euro/peso remittance rate for the month of September 2008. Indeed, when on September 23rd the euro/peso exchange rate rose from PHP 66.2 (the previous day) to 67.8 there was a significant surge of transfers. The average remittance volume reached €724.50 against a monthly average of €490. Similarly, on September 15th, when the rate jumped from PHP 65 (the previous day) to 66.35, the average remittance volume per capita was the highest for the whole month at €619. These findings not only validate the interviews but also show that the transfers increased outside of days when migrants usually go to remit, which are Thursdays or Sundays, their days off work.

Finally, interviews with people who transferred money to their saving accounts in the home country during 2008 showed that during dates when the exchange rate goes up, they tend to remit more. These variations clearly indicate that migrants respond to economic cycles and pay particular attention to exchange rate fluctuations.

Robert W. Meins: The defining characteristic of remittances is that they are seen as a family obligation. Senders are more likely to cut back on their own consumption than to reduce the amount of money they send to their families. Unlike speculative flows or foreign investment, therefore, profit motives do not drive remittance levels. As a result, changing economic or political risks and natural disasters will not negatively impact the decision to send. In fact, remittances typically increase during such periods, providing recipient families and developing economies with a cushion in troubled times.

The current financial crisis, however, presents a new combination of factors, as both senders and recipients are confronted by similar forces simultaneously. Increasing unemployment, reduced wages and a high cost of living are impacting senders and receivers alike. As a result, it is more difficult to send, even as the needs of recipients are increasing. This is causing concern that we may be testing

the limits of remittance counter-cyclicity.

How remittance flows will be affected by the financial crisis is wholly dependent on the ability of migrant workers to find strategies to adapt. Surveys and focus groups conducted for the IDB and research by the IAD (Inter-American Dialogue) suggest that immigrants are working longer hours to compensate for lower wages, switching sectors after job loss, responding to labor demand and/or local immigration enforcement by moving from one state to another, and even tapping into their savings to maintain remittance levels. Immigrants have proven to be more adaptable than other parts of the labor force, and have been able to maintain remittance flows despite the current 8 percent Hispanic unemployment and job losses in traditionally important sectors such as construction. Current evidence suggests that we are not yet testing the boundaries of this ability to adapt. Despite the declining impact of remittances to Mexico and Brazil during the first three quarters of 2008, it is not likely that there will be a broad precipitous decline going forward.

Paradoxically, the fallout of the financial crisis may actually contribute positively to the impact remittances have on recipients in purchasing power terms, as the dollar has appreciated against major Latin American currencies, the price of fuel has declined and commodity prices continue to fall. The depreciation of the euro, on the other hand, is likely to have some impact in countries with a large migrant stock in Europe, such as the Andean countries, as the value of the euro returns to the levels seen before the bubble of early 2008.

Only an unprecedented decrease in the stock of migrants sending remittances, a significant drop in wages across a large segment of immigrant cohorts, or an equally large rise in immigrant unemployment will have a major impact on remittance flows. None of these factors are likely in the immediate future. Despite the largely academic discussion over whether remittances will exhibit an increase, remain flat or experience a minor decrease in the short-term, fundamentally, as the economy emerges from the current downturn, remittances will do the same.

Manuel Orozco: While remittance sending has followed a counter-cyclical pattern in the past, perhaps most notably during the 2001-2002 recession, concerns have been raised over whether or not migrant households in the United States and other remittance-sending countries can continue that pattern in the midst of the current economic crisis. A likely scenario is that there will be a relative decline in overall flows, but in spite of that decline, remittance sending patterns will remain counter-cyclical.

Despite the economic slowdown and growing unemployment, reaching 9 percent for Hispanics in the United States, global remittances to Latin America and the Caribbean actually increased by 3 percent in 2008 (a growth that is higher if Mexico is separated from the group of countries). While growth in remittance flows to Central America did slow, Caribbean countries continued to experience normal trends. The only declines in flows to the region were reported by Ecuador and Mexico in the second quarter. Yet part of Mexico's decline can be accounted for by the growing use of alternative payment methods for remittances, including debit cards linked to migrants' accounts, which are not recorded by the Central Bank.

To cope with current economic conditions, migrants and their families will follow mainstream patterns of reduction in consumption and expenditures, focusing on family necessities. Migrants may also choose to change jobs, take on additional work, or move to a more economically viable state to respond to unemployment or a drop in wages. Despite these efforts, there will be some migrants who decide to return to their home countries, either because it was already planned or as an act of desperate need.

However, inflation and economic downturn in their home country will also put pressure on migrants to remit, migrant households will curb spending in order to continue supporting family members abroad, and as the prospect of economic recovery grows on the horizon, the effects of the decline are not likely to be long-term.

Kai Schmitz: Firstly, I am not convinced that a general counter-cyclical nature of remittances has been proven with sufficient certainty. Following simple economic theory, remittances should be pro-cyclical when the funds are likely to be used for investment and tend to be counter-cyclical when they are needed to subsidize income. Remittance flows following natural disasters have demonstrated migrants' willingness to send more money in case of emergencies or hardship. However, while they may send more if the economic situation in their home country worsens, other factors influence remittance behavior, including the economic situation in the host country and exchange rate fluctuations. Reliable national remittance data has not been available for very long, making it difficult to determine how remittances were influenced by past economic downturns.

The current crisis is unusual in that it is simultaneously occurring in both sending and receiving countries. It first hit the housing sector in the US and Spain and is

now also felt in other sectors that employ migrants, in particular services and hospitality. Unemployment of blue collar migrants has accordingly risen, reducing the income available for remittances. The downturn has not yet impacted the receiving countries to the same degree so that the pressure to send has not increased correspondingly. At the same time the strengthening dollar meant that migrants in the US needed to send less to countries where payments are mainly made in local currency—in Mexico, for example. I believe these factors contributed to a small reduction in remittances from the US to some countries in Latin America this year.

Once the recession is felt in the receiving countries, which has already started with lower prices for commodities exported from those countries, pressure on remitters to send money will increase. This ‘two-sided recession’ will put economic hardship on migrants and their families and test the hypothesis of recession-proof remittances. If the income opportunity gap between the host and the home country stays the same or increases—which is not unlikely—remittances should remain stable if income necessary to send remittances remains available. Given that migrant labor is highly flexible and that remittances are one of the most important expense items, I think that migrant remittances can absorb the impact of an economic downturn to a degree if the need on the receiving side is strong, as will most likely be the case. A strong and prolonged contraction in the labor market of the origin country as we have started to see in the current US environment will ultimately impact remittance flows negatively. I am concerned that this may be the case in 2009 and maybe 2010.

GUEST ARTICLE (NOVEMBER 2008)

Will the crisis kill legal migration policies?

Ferruccio Pastore (Policy Analyst, Centro Studi di Politica Internazionale, CeSPI)

It is evident that economic migrants pay a particularly high price in times of economic crisis. This was true in the 1930s, when the social and legal conditions of foreigners deteriorated dramatically, not just in totalitarian states. It was true again during the stagflation period triggered by the 1973 and 1979 oil crises, and once again in the wake of the early 1980s recession. In Western Europe, at that time, governments quickly reacted by stopping economic immigration, but they could not prevent families and asylum-seekers from continuing to come. Ad hoc policies to limit the social exclusion of immigrants and their descendants had to be set up. That long and difficult season was decisive in framing

immigration as an unwelcome phenomenon and a burden for European societies and welfare states. Such a partial and rigid perception is still strong and powerfully shaping European migration policies and politics.

Migrants are the first victims of economic crises, and the ongoing global financial upheaval and the ensuing recession will not make an exception. This is again particularly evident in the case of the European Union, which over the last decade has overtaken the United States as the most important immigration basin worldwide. In 2009, according to European Commission’s estimates,¹ employment growth will turn negative for the first time in more than a decade. The total number of unemployed is expected to increase by 2.7 million in the EU between 2008 and 2010. Economic and labor market outlooks are deteriorating more deeply and rapidly in some of the countries that have acted as engines for the European immigration boom of the last few years, such as Ireland, the UK, Italy and, above all, Spain (where the unemployment rate is expected to rise from 8.3 percent in 2007 to 15.5 percent in 2010). Besides, some of the most immigrant-intensive economic sectors, such as tourism and construction, are being hit comparatively harder. It is not difficult to guess that immigrants and their families will have to pay a particularly high price in this time of crisis, too.

But states’ responses can make a big difference, both with the social impact of recession in general and with the specific impact on immigration and immigrants. As Anthony Atkinson has recently put it, “Government budgets are under stress, but citizens are going to expect that if funds can be found to rescue banks, then governments can fund unemployment benefits and employment subsidies. *If governments can take on the role of lender of last resort, then we should be willing to see government as the employer of last resort.* Put bluntly, governments have to step up to the plate, as Roosevelt did in the Great Depression.”² The problem is that, even if governments will be willing to assume a direct role in countering the coming rise in poverty and inequality, there will probably be a strong resistance by European public opinions towards extending any anti-crisis social plan or any extraordinary redistributive action also to foreign immigrants. War cries such as “*Les français d’abord!*” (the French first) and the like in other languages are probably going to resound ever louder. In a context of already decreasing investments in integration measures, the likely impact of the crisis is going to produce a further ethnic connotation to economic cleavages in European societies.

1 Autumn Economic Forecasts, released on 3 November 2008, http://ec.europa.eu/economy_finance/publications/publication13290_en.pdf.

2 A. B. Atkinson, “Unequal growth, unequal recession?”, *OECD Observer* No 269 October 2008, http://www.oecdobserver.org/news/fullstory.php/aid/2751/Unequal_growth_unequal_recession_.html.

Beyond contingency, however, the structural need for foreign manpower will continue to grow, out of demographic reasons at least. In the past few years, such structural factors had started to affect migration policy-making, in spite of the populist pressure towards restrictionism. According to the survey on “World Population Policies” carried out periodically by the Population Division of the United Nations, the last decade has seen a steep reduction in the number of developed countries whose officials consider the level of immigration “too high”: down from 33 percent in 1996 to 6 percent in 2007.³ Since the early 2000s, immigration policies have started to reflect this new awareness, with a cautious experimentation in the field of admission policies for economic migrants. In its latest “International Migration Outlook,” the OECD has singled out “the management of labour migration [as] the single biggest topic of policy change” in 2007.⁴ Today, in the storm of the recession, the risk is that this partial reopening of legal immigration channels to developed countries, and especially to Europe, will come to an abrupt end. Alternatively, we fall back into a narrow *Gastarbeiter* policy mood, which would once again be doomed to failure. If this will happen, the trap of economic decline and social disruption could become even harder to defuse.

³ <http://www.un.org/esa/population/publications/wpp2007/wpp2007.htm>.

⁴ http://www.oecd.org/document/3/0,3343,en_2649_33931_41241219_1_1_1_1,00.html, p. 120.

Events (September 2008-July 2009)

- September 24-26, 2008. Improving Central Bank Reporting and Procedures on Remittances. La Paz, Bolivia.
Email: Raul Morales mmorales@cemla.org
- October 7-8, 2008. La Migración y las Remesas en América Latina. San Salvador, El Salvador. Direccion ALPIMED
- October 10, 2008. Mujeres, migración, remesas y relaciones de género: Evidencias a partir de tres casos: Colombia, República Dominicana y Guatemala. La Paz, Bolivia. Summary:
<http://www.un-instraw.org/es/grd/general/eventos.html>
- October 17-19, 2008. The 4ta Feria de Vivienda Para Salvadoreños en el Exterior y Exportsalud. Burbank, USA.
<http://www.casalco.org.sv/ferias/index.php>
- October 28-30, 2008. International Assembly of Migrants and Refugees (IAMR). Manila, Philippines.
http://www.worldproutassembly.org/archives/2008/11/migrants_all_ov.html
- October 31, 2008. Immigration and Remittances: Global Trends and Challenges – a roundtable discussion. Notre Dame, USA.
<http://tinyurl.com/77nsx7>
- November 5, 2008. Asociación Iberoamericana de Remesadoras. Madrid, Spain.
Email: convencion2008@keymarket.com
- November 21, 2008 to March 15, 2009. **The Cartier Foundation Museum** exhibit “Native Lands” by Paul Virilio includes visual representations of Manuel Orozco’s data on global migration and remittances (see slides 10 and 11 of presentation). Exhibit website:
<http://tinyurl.com/a2jw9x>
- December 2-4, 2009. Migration for Development Knowledge Fair. Brussels, Belgium.
<http://www.migration4development.org>
- December 4-6, 2008. Third International Colloquium on Migration and Development. International Migration: The challenges of exclusion and inequality for citizenship in the context of globalization. Organized by Red Internacional de Migración y Desarrollo – RIMD, Facultad Latinoamericana de Ciencias Sociales – FLACSO Costa Rica, National University of Costa Rica – UNA, Universidad Centroamericana – UCA El Salvador, and International Organization for Migration (IOM). Heredia, Costa Rica.
Email: alope@una.ac.cr
- December 12, 2008. Las tendencias de las remesas familiares y significado para República Dominicana ante los cambios en la economía mundial. Santo Domingo. República Dominicana. Presentations:
<http://tinyurl.com/8on395>
- December 27 and 29-30, 2008. Uganda Diaspora Home is the Best summit. Gulu and Kampala, Uganda.
<http://tinyurl.com/a7kbrt>
- January 14, 2009. Immigration and the Current Economic Crisis. Washington, DC.
<http://tinyurl.com/79o6yp>
- January 31, 2009. Applications for “E Pluribus Unum Prizes.” Award winners will be announced in April 2009 and honored in Washington, DC in May 2009.
<http://www.migrationinformation.org/integrationawards/>
- February 16, 2009. Papers due for International Conference on Immigration, Consumption, and Markets on May 18-19, 2009. Lille, France.
<http://www.h-net.org/announce/show.cgi?ID=164578>
- March 26, 2009. Mobile and Card Remittances 2009. Brussels, Belgium.
www.mobilecardremittances.com
- May 4-15, 2009. Defining the State-of-the-Art on Remittances and Return Conference. Maastricht, The Netherlands. <http://www.sussex.ac.uk/migration/1-2-9.html>
- June 2009. International Forum on Remittances and Remittances, Business Models and Technology Fair. Nairobi, Kenya.
<http://www.ifad.org/events/remittances/index.htm>

COUNTRY PROFILE: NICARAGUA¹

Population: 5,532,400 (2006 est). Population growth is currently +1.27 with a birthrate of 2.5 and a life expectancy of 72. The population is predominantly young; 37.2 percent is 14 years old and younger.² The adult literacy rate is 76.67 percent.³ Official estimates reveal that the unemployment rate in 2007 was 4.9 percent, though some believe this figure is inaccurate.⁴ Sixty percent of workers earn a living in the informal sector, where underemployment is high.⁵ With more than 50 percent of its population living below the poverty line, Nicaragua is the second poorest country in the Western hemisphere.⁶

History of Migration: Nicaraguan emigration is a relatively recent phenomenon that predominately developed in response to the political turmoil of the 70s and 80s and the economic devastation that has resulted from natural disasters. The first wave of emigration followed the establishment of the Central American Common Market in 1960, which removed trade barriers and promoted stronger regional integration. Then in 1972, when an earthquake destroyed Nicaragua's capital, Managua, thousands migrated to Costa Rica in search of relief. Emigration to Costa Rica continued throughout the 70s and 80s as middle-class Nicaraguans sought political asylum first from the Somoza government and later from the ruling Sandinista National Liberation Front. During this period, Nicaraguans also moved in great numbers to the United States to avoid political persecution and again in 1998 to get relief from the economic devastation caused by Hurricane Mitch. Though early migrants belonged predominantly to the middle class, in the last five years migration has increased among rural, low-income Nicaraguans. Since the dollarization of its currency, El Salvador in particular has grown as a migrant destination—where work is offered on sugar and coffee plantations.⁷ The construction of a deep water port, currently underway on El Salvador's eastern coast, and the construction of a highway linking that port with the Puerto Cortés in Honduras, have also attracted Nicaraguan laborers. Furthermore, the free port industries being developed alongside these infrastructure projects are expected to increase the labor demand.⁸

Host Countries: Nearly 43 percent of Nicaraguan migrants live in Costa Rica and another 42.5 percent reside in the United States.⁹ The number of Nicaraguan migrants living in Costa Rica is estimated to approach 400,000, though the Costa Rican Census office estimates the number to be 236,000. At least 60 percent of these migrants are living in Costa Rica's central valley, chiefly in San Jose. Over 296,000 Nicaraguans live in the United States (40 percent in Florida). Additionally, it is estimated that at least 100,000 Nicaraguans work seasonally in El Salvador.¹⁰ Nicaraguans working in El Salvador generally have acquired the same level of education as their counterparts at home; between 38 and 39 percent have completed secondary school or more, compared with a 60 percent completion rate among Nicaraguan migrants overall.¹¹



Estimated remittance flows: The Central Bank of Nicaragua reports that the country has received \$615.3 million in family remittances in 2008 from January through September.¹² Despite improved efforts to capture and measure the influx of workers remittances, official figures are underestimated as they do not account for inflows through informal business and unlicensed money transfer operators.¹³ Nicaraguans abroad send an average of \$220 each month, though individual transfer amounts vary considerably depending upon the host country: \$70 from Costa Rica compared to \$290 from the United States.¹⁴

Recipient Profile: Over 20 percent of all households in Nicaragua receive remittances, which are used primarily to sustain basic family needs.¹⁵ The majority of recipients are between 18 and 29 years old and two-thirds live in urban areas. A survey shows that remittance recipient families tend to save money more than non-recipient families—especially for health care, education, home repairs, business investments and family emergencies.¹⁶ Moreover, Nicaraguans have low financial inclusion. Migrants are slightly more likely to own bank accounts than the general population—at 11 percent compared to 9 percent.¹⁷

1 Map: http://www.lib.utexas.edu/maps/americas/nicaragua_pol_97.jpg

2 2006 data. WBDI, 2008.

3 2001 data. WBDI, 2008.

4 State Department Profile, 2008.

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Editors: Manuel Orozco and Anna Ferro

Newsletter team: Nancy Castillo (IAD); Allison Fritz (IAD); Amanda Hawkins (QED)

Contributors: Seymour Fortesque (UK Remittances Task Force), Isabelita T. Manalastas-Watanabe (Philippine National Bank), Robert W. Meins (IDB), Manuel Orozco (IAD), Kai Schmitz (MFIC), Ferruccio Pastore (CeSPI).

Editorial review group: Department for International Development (DFID); Thomas Debass (USAID)

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