The South–South remittance corridor between Argentina and Bolivia

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CONTENTS

ACRONYMS AND ABBREVIATIONS

ACP	–	African, Caribbean and Pacific Group of States
ARS	–	Argentine Peso
ASFI	–	Autoridad de Supervisión del Sistema Financiero (Financial System Supervisory Authority) (Bolivia)
BCB	–	Banco Central de Bolivia (Central Bank of Bolivia)
BCRA	–	Banco Central de le República Argentina (Central Bank of the Argentine Republic)
BOB	–	Boliviano (national currency in Bolivia)
CEMLA	–	Centro de Estudios Monetarios Latinoamericanos (Centre for Latin American Monetary Studies)
FDI	–	Foreign Direct Investment
GDP	–	Gross Domestic Product
IDB	–	Inter-American Development Bank
IMF	–	International Monetary Fund
INDEC	–	Instituto Nacional de Estadística y Censos (National Institute of Statistics and Census) (Argentina)
INE	–	Instituto Nacional de Estadística (National Institute of Statistics) (Bolivia)
IOM	–	International Organization for Migration
MIF	–	Multilateral Investment Fund
MFI	–	Microfinance Institution
ODA	–	Official Development Assistance
OECD	–	Organisation for Economic Co-operation and Development
UNCTAD	–	United Nations Conference on Trade and Development
UNDP	–	United Nations Development Programme
UN-INSTRAW	–	United Nations International Research and Training Institute for the Advancement of Women
UN-Women	–	United Nations Entity for Gender Equality and the Empowerment of Women
USD	–	US Dollar
WB	–	World Bank

EXECUTIVE SUMMARY

South–South remittance corridors still remain a largely unexplored research area, despite the fact that for a few years already, international organizations, such as the International Organization for Migration (IOM) and the World Bank, have been highlighting the importance of South–South migration and remittance flows. In South America, the Argentina–Bolivia corridor is the third most relevant South–South corridor in terms of annual volumes, after Venezuela–Colombia and Argentina–Paraguay.

South–South remittance-related costs are traditionally higher than the costs in the North–South corridors, generally due to the little competition on the remittance markets, and the low levels of financial development. High fees and unfavourable exchange rate margins for remittance transactions are common in the South–South corridors, as is the case of the Argentina–Bolivia corridor analysed in this study.

This publication provides a diagnostic report on the access to and use of remittance services by Bolivian migrants in Argentina, showing the main obstacles and challenges faced to achieve a productive use of remittances. Field research was carried out through a survey and qualitative interviews with Bolivian immigrants living in Greater Buenos Aires and Greater La Plata, divided into two sub-samples of clients and non-clients of microfinance institutions.

The study starts with a presentation on the evolution and characteristics of Bolivian remittances leaving Argentina, within a context of analysis that considers the flows of Bolivian remittances worldwide and their impact on the development of Bolivia*. The analysis of the Argentina–Bolivia corridor shows the importance of remittance flows in macroeconomic terms, since Argentina is the second source of remittances for Bolivia, as well as in microeconomic terms, because money sent by Bolivian migrants living in Argentina improves the quality of life of recipient households. Furthermore, given the prevalence of migrants coming from the rural areas of Bolivia – 59 per cent according to the 2011 Survey of the National Institute of Statistics of Bolivia – remittances from Argentina also have a positive effect on poverty reduction.

Chapter II focuses on the institutional aspects of remittances, examining the legal and regulatory frameworks of remittance-related transactions in Argentina and Bolivia. Then Chapter III analyses the sending process from Argentina to Bolivia, with its chain of intermediation and different money transfer schemes. Special attention has been paid to the cost components of remittances and the forms of payment, despite the difficulties in accessing such information.

Chapter IV is based on a sample of Bolivian immigrants, different in age, education level, years of residence in Argentina, sector of occupation, and the time during which they have been sending money, and offers a series of findings for policymakers and international organizations interested in facilitating the flow of South–South remittances, from the standpoint of productive use of remittances and progressive financial inclusion of migrants and their families. Some of the analyses refer to the use of remittances, migrants' levels of bancarization, average remittances, cost and frequency, potential demand for transnational financial services, economic plans for the future and return to their homeland. Moreover, Chapter IV includes a gender perspective, showing some differences in the sending patterns between men and women.

The outcomes of the field research, obtained through the survey and interviews, show that the Bolivian community in Greater Buenos Aires and Greater La Plata mainly uses traditional remittance services and, indeed, almost one fifth of migrants use the informal market of friends and passenger transport companies. The remittance corridor between Argentina and Bolivia lacks options to foster the productive use of remittances, and there is still a long way to go in terms of transparency and openness of the market to the microfinance and formal financial sectors. At present, there are no transnational financial products and services on the Argentine market linked to the development of small businesses or personal assets for potential returns to Bolivia.

The results of this study suggest two broad areas of public policies as regards remittances, based on the findings in the Argentina–Bolivia corridor, although they could be conceptualized for all remittance senders working in Argentina: firstly, a specific financial education policy for migrants, to increase their financial inclusion and their family assets by productively using remittances; secondly, a policy on the remittance market transparency and control in Argentina, leading to a reduction in transfer costs, and to curbing possible abuses suffered by senders.

Finally, it is worth highlighting that this study is part of IOM activities in the field of migration and development, and is also linked to cross-cutting topics of IOM action such as gender equality, the fight against trafficking in persons and the smuggling of migrants. These issues cut across all direct and indirect effects of the productive channeling of remittances, from bancarization to reducing the level of informal economy.

INTRODUCTION[1]

Through this research work, the International Organization for Migration (IOM) Regional Office for South America sought to provide a diagnostic report on the access to and use of remittance services by Bolivian migrants in Argentina, by analysing key aspects of this South–South remittance corridor.

The purpose of the study was to survey the current situation of Bolivian remittances in the Greater Buenos Aires and the Greater La Plata areas, showing the main obstacles and challenges faced to achieve a productive use of remittances.[2]

Based on the results obtained, guidelines were drafted for public policies and actions aimed at maximizing the positive impact of remittances in terms of local development.

There is abundant literature on migration, remittances and development. From certain perspectives, migrant remittances are deemed to be a tool for reducing poverty and fostering economic development.[3] Some studies believe the impact of remittances on poverty levels and per capita income distribution is only slight, but, in general, there is clear consensus to consider that remittances have significant positive effects on recipient households, even in those cases of counter-factual analysis that take into account the opportunity cost of migration.[4]

Overall, two theoretical approaches can be identified as regards the effects of remittances on development.[5] The first is a structure-based stance that focuses on the negative effects of remittances, such as the social divide generated within the communities of origin, and consumer price inflation.[6] The second is a function-based approach that focuses on the positive externalities of remittances, where migrants are considered a sort of homo oeconomicus, a leading player in their own development, in which remittances are considered an asset to set up productive undertakings.[7]

There are few studies on South–South remittance corridors; it still remains a sort of unexplored area despite the fact that for a few years already, international organizations, such as IOM and the World Bank, have been highlighting the importance of South–South remittance flows and migration.[8] According to certain estimates, around half of the migrants from developing countries live in other developing nations, and South–South remittances account for 10 per cent to 30 per cent of the total amount of remittances received by these countries.[9]

On the other hand, it is worth highlighting that the South–South remittance-related costs are traditionally higher than the costs in the North–South corridors, generally due to the little competition on the remittance markets, and the low levels of financial development. High fees and unfavourable exchange rate margins for remittance transactions are inherent in the South–South corridors,[10] as is the case of the Argentina–Bolivia corridor analysed herein.

In general, there are very few studies that address remittances sent by immigrants living in Argentina. Additionally, although there are some foreign trade publications that include information for private companies on topics regarding the foreign exchange regulatory framework, there is no specific research work on the legal and regulatory framework of the Argentine remittance market.

On the other hand, this research was carried out at a very special time for the remittances of Argentina's migrant workers because of the political and economic context that has led to changes in foreign exchange policies and in the rules for sending money abroad. As from November 2011, a series of restrictions on the purchase and outflow of currency from Argentina has created a huge gap between official exchange rates and the "blue" rates, with negative repercussions on the remittance market. Therefore, costs for sending money abroad increased due to the application of "blue" rates or higher fees.

Finally, between 2011 and 2012, important changes took place in the legal and regulatory frameworks for remittances in Argentina and Bolivia, which are analysed in detail in Chapter II. At this point, it is worth recalling the reform of the Charter of the Central Bank of the Argentine Republic that broadens the regulatory scope of the Central Bank over companies sending remittances abroad.

The elements that have ultimately defined the context for this study are the bibliographical vacuum on the topic of Bolivian remittances in the Argentina–Bolivia corridor, the peculiarity of the times for the sector in Argentina, to which one must add the scarce or inexistent cooperation of market operators. On the other hand, it is worth highlighting that the research on demand for remittance services came across many difficulties, due to the strong resistance to disclose information on the money sent to relatives in Bolivia, and a very high level of distrust among the Bolivian community in anything that may have some sort of link with economic formalization processes, however remote this possibility may be.

The study starts with a presentation on the evolution and characteristics of Bolivian remittances leaving Argentina, within a context of analysis that considers the flows of Bolivian remittances worldwide and their impact on Bolivia's development. Chapter II focuses on the institutional aspects of remittances, examining the legal and regulatory frameworks of remittance-related transactions in Argentina and Bolivia. Then Chapter III analyses the process of remittances sent from Argentina to Bolivia, with a chain of intermediation and different ways of transferring the money. Special attention has been paid to the cost components of remittances and the forms of payment, despite the barriers to access such information.

While most of the data and information presented in Chapters I, II and III come from secondary sources, Chapter IV, which tackles access to remittance services, is based on field research carried out through qualitative interviews and a survey with Bolivian migrants living in Greater Buenos Aires and Greater La Plata, divided into two sub-samples of clients and non-clients of microfinance institutions (MFIs).

Chapter IV is based on a sample of Bolivian migrants, different in age, education level, years of residence in Argentina, sector of occupation and the time during which they have been sending remittances, and offers a series of findings for policymakers and international organizations interested in facilitating the flow of South–South remittances, from a standpoint of productive use of such remittances and progressive financial inclusion of migrants and their families. Some of the analyses refer to the use of remittances, migrants' levels of bancarization, average remittances, cost and frequency, potential demand for transnational financial services, economic plans for the future and return to their homeland. Additionally, Chapter IV includes a gender perspective, showing some differences in the sending patterns between men and women.

Finally, Chapter V sets forth a few conclusions on how this study helps to provide a better knowledge about the problem, and proposes a series of public policy guidelines on the topic of remittances, focusing on two intervention pillars: financial education and transparency of the remittance services market.

1. EVOLUTION AND CHARACTERISTICS OF BOLIVIAN REMITTANCES

1.1 Bolivian Remittances Within a Regional Context

According to the Balance of Payments Manual of the International Monetary Fund (IMF), there are three types of international remittance transfers: remittances, compensation of employees and migrant transfers. This chapter focuses on the analysis of the first theoretical category, that is to say, it only considers money transfers made by Bolivian migrants who change their places of residence for at least a year.[11]

This section shows the evolution of Bolivian remittances worldwide, focusing the analysis on the context of remittance flows received by South America. Starting with the last data available, it can be noted that in 2011, South American countries received USD 16.7 billion remittances in total through formal channels, which accounts for 4 per cent growth from 2010.[12]

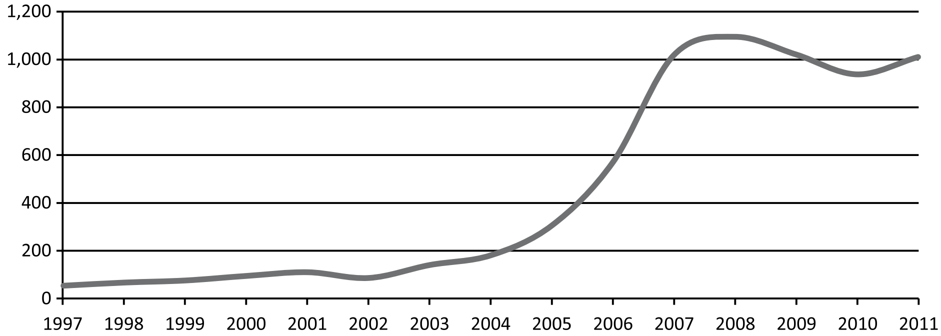
On the other hand, after a 3.4 per cent drop in remittances in 2010, the Andean subregion (Bolivia, Colombia, Ecuador, Peru and Venezuela), experienced an annual growth of 4.8 per cent in 2011, due to a recovery in the economic situation after the 2008 international financial crisis in the migrants' countries of destination, which was more noticeable in the United States than in Europe.[13]

In 2010 and 2011, Bolivia recorded an increase of 7.8 per cent in remittances, which is higher than the increase in remittances recorded by the Andean subregion as a whole. According to figures from United Nations Development Programme (UNDP), over 8 per cent of the Bolivian population – that is to say, around 728,000 people across 182,000 households – benefit from international remittances. The average monthly remittance is around USD 200 per household, which is twice the minimum salary in Bolivia.[14]

In general, the volume of Bolivian remittances in the last 10 years shows a series of significant increases: in 2001, these money transfers totaled around USD 107 million, only 10.6 per cent of the USD 1.01 billion total remittances in 2011.

Furthermore, if the time horizon for the analysis is extended, it can be noted that as from 1997, the increase in Bolivian remittances has been exponential, with an interruption only in 2002 and 2009. In 2002, there was almost 23 per cent drop caused mainly by the 2001 crisis in Argentina, while in 2009 there was around 7 per cent reduction. The reasons for this decline were the 2008 international financial crisis, and the harshening of migration rules in the European Union, which increased the number of migrants returning to Bolivia. Figure 1 shows the above-mentioned fluctuations in remittances received by Bolivia from 1997 to 2011.

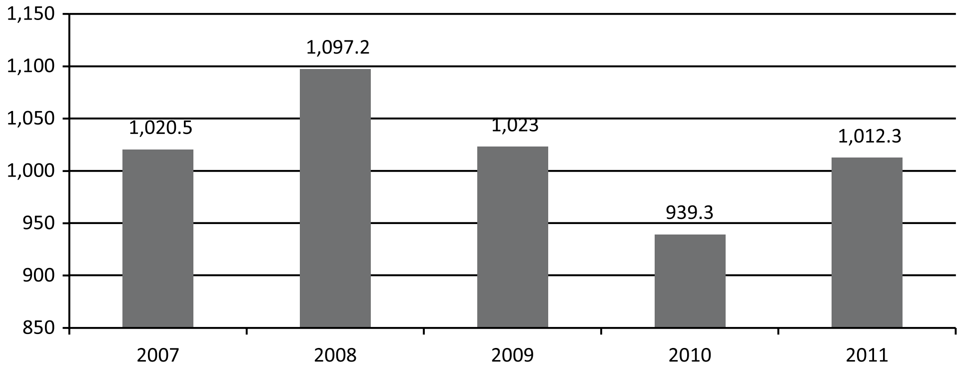
Figure 1: Bolivian remittances, 1997–2011 (in million USD)



Source: Prepared by the author using data from Banco Central de Bolivia (BCB, Central Bank of Bolivia).[15]

Figure 2 shows the volume of remittances received by Bolivia in the last five years.

Figure 2: Workers' remittances, 2007–2011 (in million USD)



Source: Prepared by the author using BCB data.

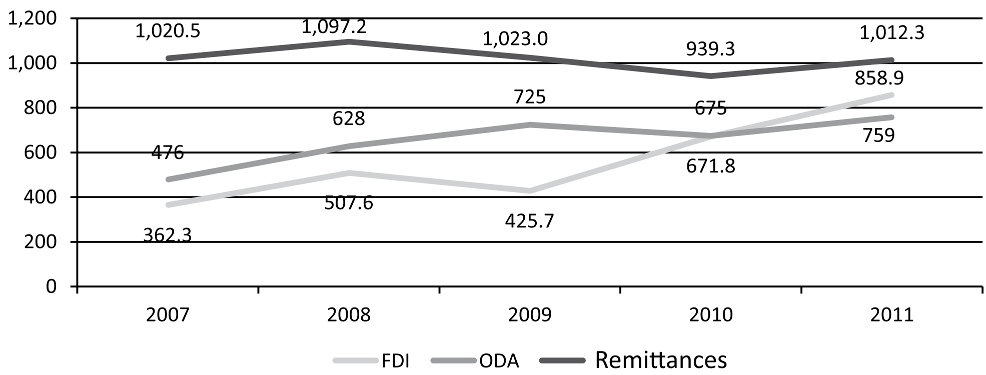
Despite the negative fluctuations noted in the period 2008–2010, it is worth underscoring that, in the 2000s, international remittance transfers have become a regular, significant source of income for recipient families in Bolivia, and an important factor for the country's socioeconomic and financial development.

On the other hand, data on remittance-based income should be assessed within a macroeconomic context at the country level, which shows a loss of value of the Bolivian currency vis-à-vis the USD, and an inflation rate that went up from 7.17 per cent to 7.91 per cent between 2010 and 2011 (almost 1% increase).[16] Considering the 2011 average exchange rate of the Bolivian currency with regard to the USD, the remittance growth would drop to 6.6 per cent; moreover, if the 2011 inflation rate is included in the analysis, remittances would show a real growth of -2.4 per cent.[17] It is important to recall this negative real growth given its inevitable consequences on recipient Bolivian households, in terms of less investment and consumption capabilities.

Despite these macroeconomic considerations that alter remittance growth rates, these flows have represented and still account for an important source of external funding for the Bolivian economy.

Likewise, the importance of remittances for the Bolivian economy is obvious when compared with the other two sources of capital revenue in Bolivia: foreign direct investment (FDI) and official development assistance (ODA). Figure 3 shows these three capital flows in the period 2007–2011.

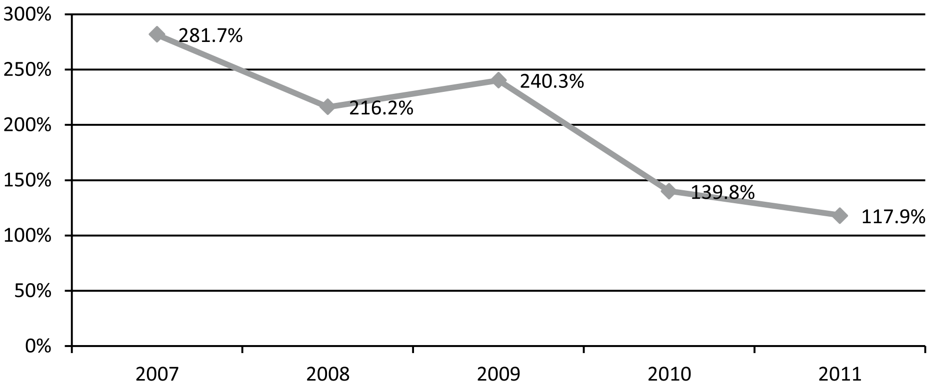
Figure 3: Remittances, foreign direct investment and official development assistance, 2007–2011 (in million USD)



Source: Prepared by the author using data from ECLAC (FDI), the Organization for Economic Co-operation and Development (OECD) (ODA), and BCB (remittances).[18]

It is worth highlighting that a great gap exists between the volatile FDI of the last five years and remittances. Figure 4 shows the remittance to FDI ratio from 2007 to 2011. As depicted in the figure, remittances more than doubled the FDI in 2007, 2008 and 2009.

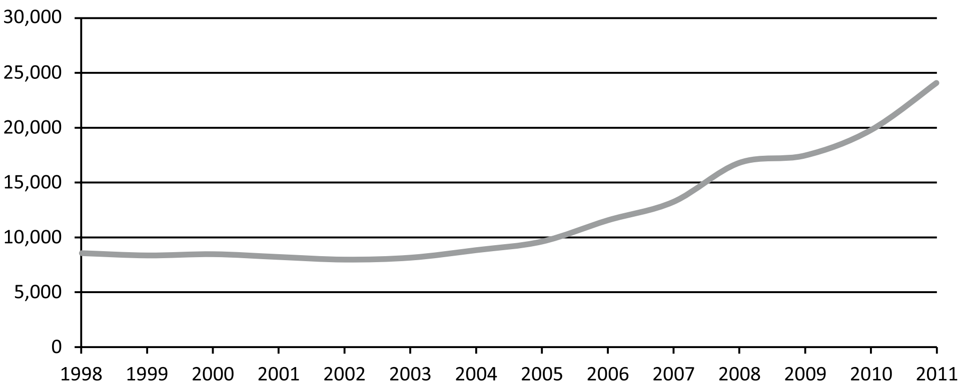
Figure 4: Remittance to foreign direct investment ratio, 2007–2011



Source: Prepared by the author using BCB data.

Figure 5 shows Bolivia's GDP growth from 1998 to 2011.

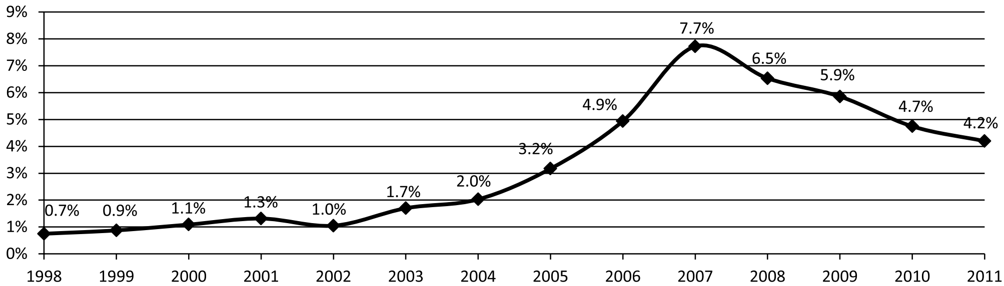
Figure 5: GDP growth in Bolivia, 1998–2011 (in million USD)



Source: Prepared by the author using BCB data.

Remittance-based income increased from USD 83 million in 2002 to over USD 1 billion in 2007, that is to say, from 1 per cent to 7.7 per cent of GDP. In 2007, the remittance/GDP ratio in Bolivia reached the highest peak in its history, after having grown constantly since 2002. The period 2007–2008 is important to analyse as it shows a turning point in the remittance/GDP ratio. It is the beginning of a decline that led this figure to 4.2 per cent at the end of 2011. Remittance/GDP ratio in the period 1998–2011 is shown in Figure 6.

Figure 6: Bolivian remittances as a % of GDP, 1998–2011



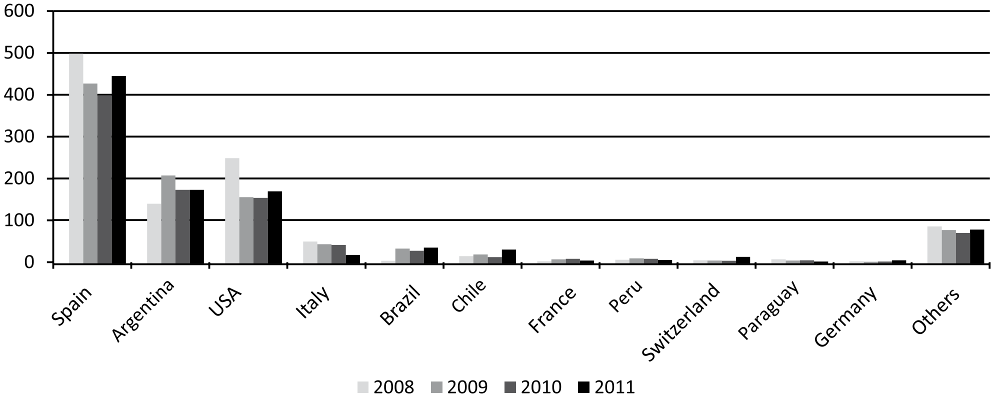
Source: Prepared by the author using BCB data.

As regards the main countries of residence of Bolivians who have migrated abroad, the most significant communities can be found in Argentina, Spain and the United States of America, as 94.4 per cent of Bolivians live in these three countries.[19] According to the National Population, Household and Housing Census of 2010 conducted by Instituto Nacional de Estadística y Censos (INDEC, National Institute of Statistics and Census) in Argentina, 345,272 Bolivians live in Argentina; the 2009 Municipal Register of Inhabitants in Spain shows that 222,497 Bolivians in Spain; and the 2010 US Census Bureau quantified the number of Bolivians in the United States at 99,210. Finally, it is worth highlighting that almost half of the Bolivian emigrants live in Argentina (48.9%).[20]

Regarding the flow of remittances, in the period 2008–2011, Spain continued to be the main source of remittances to Bolivia, followed by Argentina and the United States. In the period 2008–2011, it was only in 2008 that more remittances were sent from the United States than from Argentina.

Figure 7 shows the share of remittances to Bolivia according to the country of origin.

Figure 7: Share of remittances to Bolivia according to country of origin, 2008–2011



Source: Prepared by the author using BCB data.

When analysing these figures on the origin of Bolivian remittances, it is worthy to note the significant difference between Spain and the other two big sources of remittances sent to Bolivia, namely Argentina and the United States. In each of the four years under analysis (2008–2011), the combined remittances from Argentina and the United States are lower than the total amount from Spain. Another interesting trend is the increase in South–South remittances from Brazil and Chile that, for the first time in 2011, both surpassed the transfers from Italy.

In 2011, Brazil became the fourth most important remittance source for Bolivia, accounting for 3.7 per cent of the annual total inbound remittances, followed by Chile accounting for 3.3 per cent, and Italy holding 2.1 per cent. The Italian case is significant because it shows how a deterioration of the economic conditions due to the worsening of the European crisis brought about a significant drop in the 2011 remittances, as had happened with those from the United States after the 2008 crisis.

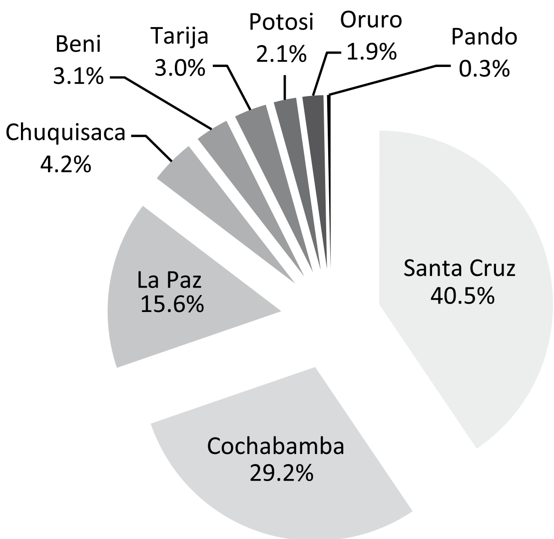
Unlike what happened in Italy and the United States, remittances from Spain declined in 2009 and 2010, but increased again by more than USD 46 million between 2010 and 2011, despite the economic problems of the Iberian Peninsula country, thus confirming the countercyclical nature of remittances in times of economic and financial crises.

Indeed, the countercyclical nature of remittance flows can vary and depend on factors such as the sectors in which migrants are employed and the income levels of recipient households. In general, remittances tend to be more countercyclical when recipients use them mainly for basic consumption.

Additionally, it is important to bear in mind that part of the flows from neighbouring countries like Argentina and Brazil are sent through informal channels, and thus there is no record thereof. In view of this, the share of Bolivian remittances from these two countries is believed to be higher than the official data provided by the BCB, as illustrated in Figure 7.

Finally, if the Departments of destination of the remittances are analysed, a similar trend to that in the sources of origin is noted, that is, a strong concentration of flows. In 2011, Santa Cruz, Cochabamba and La Paz received 85.3 per cent of the total amount of remittances, accounting for USD 864 million (Figure 8). In particular, Santa Cruz benefitted from 40.5 per cent of total flows, Cochabamba from 29.2 per cent and La Paz from 15.6 per cent, while the rest of the country received only 14.7 per cent of all remittances entering Bolivia in 2011.

Figure 8: Breakdown of remittances to Bolivia by Department of destination, 2011



Source: Prepared by the author using BCB data.

1.2 Bolivian Remittances and Development

While the previous section focuses on analysing Bolivian remittances as external financial flows, demonstrating their importance for Bolivia from a macroeconomic standpoint, taking into account variables such as GDP, FDI and ODA, this section briefly analyses the impact of remittances on development and poverty reduction in Bolivia from a microeconomic perspective that focuses on recipient households.

This analysis is based on a quantitative study of remittances and development in Bolivia that, for the first time, tried to measure, at the country level, the changes recorded in terms of poverty, inequality and quality of life. This study was commissioned by UNDP and carried out by Bolivian economists Ricardo Nogales Carvajal and Carlos Alberto Foronda Rojas[21] in 2009/2010, which provides a starting point to determine the impact of remittances on poverty and development in Bolivia.[22]

Nogales and Foronda (2011) pointed out that over 70 per cent of remittance recipients live in urban and peri-urban areas and, therefore, in the richest parts of Bolivia. Most remittances go particularly to the urban districts of the Valleys and Plains macroregions.

To measure the impact of remittances on poverty in Bolivia, Nogales and Foronda (2011) focused on the direct effects on the income of recipients. They argue that without such international remittances, the average income of Bolivian recipients would drop from BOB 1,267 to BOB 721 monthly (-43%). Without family aid from abroad, the average income of the poor recipients would drop from BOB 299 to BOB 235 (-21%).

These differences lead to the conclusion that the poorest households of the country are not the ones that benefit the most from remittances. Having said this, it must be pointed out that without this exogenous inflow of funds, the mean poverty gap would increase by 41 per cent, which means there would be a greater shortfall between the income of the poor and the poverty line.

On the other hand, Nogales and Foronda (2011) highlight that the impact of remittances is greater in the case of rural recipients than in the case of those living in urban areas. In the absence of these remittances, the income of the former would be cut down to less than half (-53%), leading to a considerable increase in the number of poor among rural recipients (from 45% to 72%).

Regarding the relationship between remittances and inequality, it is worth recalling that despite progress in the last few decades, leading to Bolivia becoming a low-middle-income country nowadays, Bolivian society is still profoundly unequal: the wealthiest

20 per cent of the population possesses 60 per cent of the resources, while the poorest 20 per cent only has 2 per cent.[23] Furthermore, considering the Latin American and Caribbean region, Bolivia is one of the most unequal countries, and among the first 20, worldwide, with a Gini coefficient of 0.51 (2009).[24]

Based on such inequality, the Nogales and Foronda (2011) analysis shows that 38 per cent of recipients belong to the fifth quintile of income distribution, 24 per cent belongs to the fourth quintile, 16 per cent to the third quintile, 14 per cent to the second quintile and only 8 per cent of beneficiaries belong to the poorest quintile of the Bolivian population. This means that 62 per cent of remittance recipients belong to the fourth and fifth quintiles, or the wealthiest strata of the country.

Additionally, Nogales and Foronda (2011) also calculate the Gini index variation should there be no international remittances in the three big macro regions of Bolivia: the Valleys, the Plains and the Andean Plateau. Without remittances, the Gini coefficient for the Valleys would change from 0.530 to 0.527, for the Plains from 0.506 to 0.489, while it would increase from 0.540 to 0.546 in the Andean Plateau area. This means remittances help to reduce inequality only in the Andean Plateau, with no aggregate positive effect at the national level due to the strong concentration of recipients in the Valleys and Plains.

In brief, remittances that enter Bolivia have a significant positive impact on poverty mitigation, but only a slight impact on poverty eradication. On the other hand, remittances increase inequality at the national level because they lead to broadening the income distribution gap.

1.3 The Argentina–Bolivia Corridor

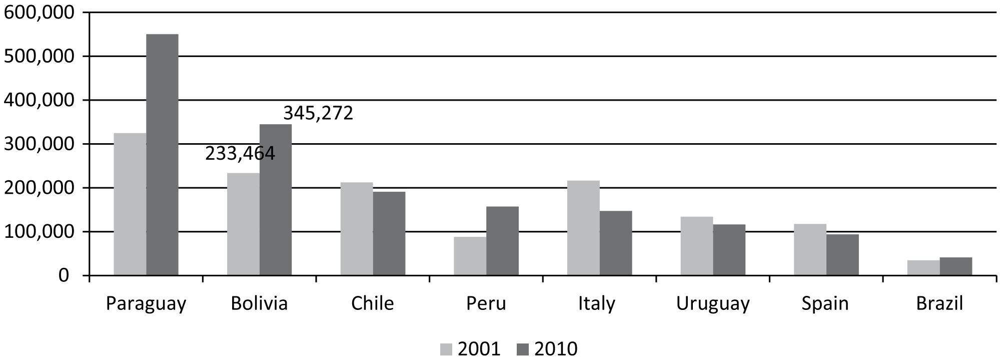
In the South American region, the Argentina–Bolivia corridor is the third most relevant South–South corridor in terms of annual volumes, after Venezuela–Colombia and Argentina–Paraguay.[25] Finding reliable data and information on the Argentina–Bolivia remittance corridor is difficult because of the level of informality, the lack of records and data collection obstacles. There are informal ways for remittances to enter Bolivia that, due to their nature, are not regulated and are not recorded by official statistics (mainly handcarries by the migrants or by a third party).

Before analysing the remittance flows in the Argentina–Bolivia corridor, it is important to underscore some of the results of the census carried out in Argentina in 2010. It determined that 1,806,000 foreigners live in Argentina, or 4.5 per cent of the total population; it also reflected that 77.63 per cent of foreigners come from neighbouring countries and Peru.[26]

The number of Bolivian inhabitants went up from 233,464 in 2001 to 345,272 in 2010, an increase of 111,808. Fifty-five percent of the total Bolivian population in Argentina lives in Greater Buenos Aires,[27] which has the highest concentration of Bolivians in the country, although they are fewer than the Paraguayans and Peruvians living in the same area.

As it can be seen in Figure 9, the Bolivian community is currently the second most important one in Argentina, after the Paraguayans.

Figure 9: Foreign residents in Argentina by country of birth



Source: Prepared by the author using the INDEC data, 2010 National Population, Household and Housing Census (Argentina).

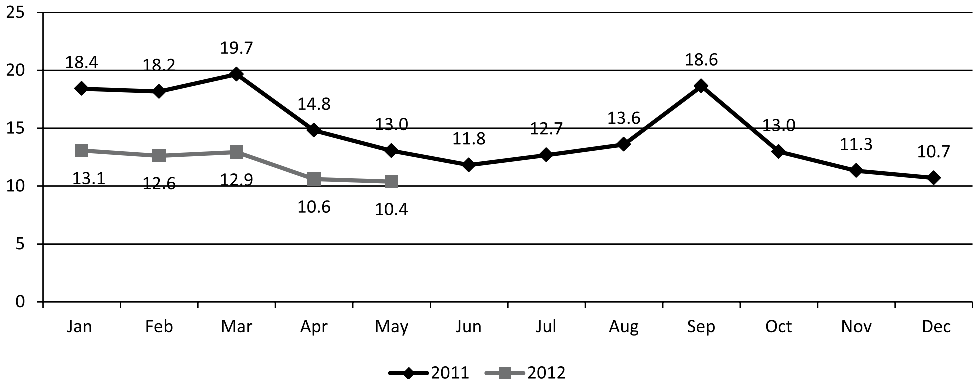
As it has been seen in the analysis of remittance flows in Section 1.1, Argentina is the second most important source of remittances for Bolivia, after Spain. In 2008, remittances sent from Argentina accounted for 13 per cent of all Bolivian inbound remittances; in 2009, 20.6 per cent; in 2010, 18.7 per cent; and, in 2011, 17.4 per cent. In absolute terms, annual flows from Argentina to Bolivia have displayed the trend shown in Figure 10.

Figure 10: Argentina–Bolivia corridor, 2008–2011 (in million USD)

Source: Prepared by the author using BCB data.

When analysing available data for 2012, it can be noted that the first five months of the year show a decline of 29.1 per cent in remittances flowing out of Argentina compared with the same period in 2011, equivalent to a drop of USD 24.5 million.[28]

Figure 11: Monthly remittance flows from Argentina, 2011 and 2012 (in million USD)



Source: Prepared by the author using BCB data.

If the same average rate of decline of the first five months of 2012 were recorded on a yearly basis, Bolivia's balance of payments would show a drop of USD 51 million in remittances. This figure would be alarming since it would account for over 5 per cent of all inbound remittances received by Bolivia in 2011.

On the other hand, when analysing data available on the average amount for each Bolivian remittance transaction from Argentina (Table 1), a slight reduction can be noted between 2004 and 2006, from USD 168 to USD 162, and a significant growth from 2006 to 2007 (USD 162 and USD 200, respectively).

Table 1: Average remittances from Argentina by transaction, 2004–2007

Year	Average remittance (USD)
2004	168
2005	162
2006	162
2007	200

Source: Prepared by the author using BCB data.[29]

In order to have a more thorough characterization of the Argentina–Bolivia corridor, it is important to refer to one of the few studies on South–South remittances, by Weiss Fagen and Bump (2005).[30] In their comparative analysis of migration in three cases of neighbouring countries in Latin America, one of the three reference corridors is Argentina–Bolivia.[31] The conclusions of this study are useful to outline the characteristics of remittances sent by Bolivians from Argentina.

Firstly, the geographical distance between Bolivia and Argentina, with low travelling costs, encourage frequent trips and thus create circular migration processes.[32] Secondly, Weiss Fagen and Bump (2005) argue that the vast majority of Bolivians living in Argentina come from the poorest strata of Bolivia and mainly from rural areas; therefore, they tend to be less educated compared with Bolivian immigrants in the United States or Spain.[33] All these factors result in little experience with the formal financial system and a high degree of mistrust in banks. Consequently, informal channels for transferring money, such as personal trips or handcarries by a third party, continue to be the most widespread options to send remittances from Argentina to Bolivia.[34]

In order to complete the analysis of the characteristics of the Argentina–Bolivia remittance corridor, the 2011 Household Survey carried out by Instituto Nacional de Estadística (INE, National Institute of Statistics) of Bolivia must be considered, the results of which will be published soon.[35] This data also supplements the results of this study's field research component, which only comprises a sample of Bolivian migrants in Argentina without their relatives that have remained in Bolivia.

The INE's 2011 Household Survey has a section on remittances which allows for a characterization of recipients according to the country of origin of remittances.[36] Of the 883 recipients who were interviewed, 273 respondents (31%) said their remittances came from Argentina, second country of origin after Spain, from where 371 interviewees (42%) stated they received remittances.

Furthermore, survey data shows that 59 per cent of those receiving remittances from Argentina live in rural areas, while 41 per cent live in an urban environment. Thirty-eight per cent of recipients are men, who are on average 53 years old, and 62 per cent are women, on average 49 years old.

It is interesting to note certain data related to changes in the heads of household due to the effects of migration, and consequently, due to the receipt of remittances.[37]

Considering the interviewees in the households receiving no remittances who said they were heads of household, there is a significant majority of men, 78 per cent versus 22 per cent of women. On the other hand, when analysing the households receiving remittances, there is a greater gender balance, with 44 per cent of female heads of household.

If only remittance recipients in the Argentina–Bolivia corridor are taken into account, the percentage of female heads of household is even higher: 49 per cent. This presence of female heads of household in Bolivia that receive remittances translates into a higher level of responsibility for them in managing the family's financial resources.[38]

Finally, the INE's 2011 Household Survey also permits to identify the preferences of Bolivian remittance senders in Argentina regarding frequency. In 2011, most remittances from Argentina were sent annually; followed by monthly remittances (18%) and those sent every six months (14%).

Table 2 summarizes data on frequency of remittances in 2011.

Table 2: Frequency of remittances from Argentina, 2011

Frequency	%
Annually	51
Every six months	14
Quarterly	10
Bimonthly	5
Monthly	18
Every fortnight	2
Weekly	1

Source: Prepared by the author using data from the INE Household Survey, 2011.

On the other hand, in 2011, sending patterns from Spain and the United States confirm a majority of Bolivian migrants who send money to their families on a monthly basis (52% in Spain and 56% in the United States). In Spain, the annual frequency comes second (21%), followed by remittances sent quarterly (12%); while in the United States, 19 per cent of migrants send remittances annually and 11% bimonthly.

In conclusion, in light of this chapter's analysis of the Argentina–Bolivia corridor, the importance of remittances is clear both in macroeconomic and microeconomic terms, with positive poverty reduction effects due to the prevalence of immigrants in Argentina that come from rural areas of Bolivia (59% according to the 2011 INE Household Survey).

Chapter II hereafter refers to the institutional dimensions of remittance flows between Argentina and Bolivia, and provides an analysis of the legal and regulatory frameworks in both countries.

2. INSTITUTIONAL ASPECTS

2.1 Legal and Regulatory Framework Related to Remittance Transactions in Argentina[39]

At present, Argentina does not have a specific regulatory framework for international remittances. However, the Charter of Banco Central de le República Argentina (BCRA, Central Bank of the Argentine Republic) provides that the Central Bank has the power to regulate, among other things, the activities of remittance service providers, as well as any financial and foreign exchange activities.[40]

In addition, as the activities of remittance service providers could entail foreign exchange transactions, workers' remittances could be construed by the competent authorities as foreign exchange transactions, and may thus become subject to the regulations applicable to the foreign exchange sector in general (Foreign Exchange Regulatory Framework). In other words, the activity of remittance service providers would become subject to the same rules as those applicable to any other exchange activity, regardless of its nature. Therefore, the regulatory framework governing remittances in Argentina does not take into account the distinctive features of workers' remittances.

2.1.1 Foreign Exchange Regime

The BCRA has established, through Communication "C" 34119, that "foreign exchange transactions can be made only at such institutions as are authorized by BCRA to engage in foreign exchange transactions, […], and the requirements now or hereafter established for each transaction in particular must always be met."

With regard to foreign exchange outflows, the Foreign Exchange Regulatory Framework provides for a general system of restrictions that prohibits "transfers to foreign countries, except for [...] those authorized by the Central Bank of the Argentine Republic".[42] Based on this and over time, the BCRA has issued several Communications that regulate transfers that require prior authorization, and the ones that do not. The Foreign Exchange Regulatory Framework provides for a scheme of registration and restriction of foreign exchange outflow transactions that does not distinguish between migrant worker remittances and other kinds of money transfers.

The BCRA Communication “A” 5264 defines “family support” as all current transfers (i.e. transfers with nothing received in return) made by an individual residing in a given economy to an individual residing in another economy for the purpose of covering the maintenance costs of the recipient and its family members. There is no need for a family relationship to exist between remitter and recipient.

These regulations were subsequently amended by the BCRA Communication “A” 5330 (issued in July 2012), which established, for family support remittances to foreign countries, the requirement of obtaining the BCRA’s prior approval when the sum to be transferred exceeds the equivalent of USD 1,500 per client, per calendar month (in all institutions authorized to engage in exchange transactions). If such sum is exceeded, the institution in question is required to evaluate the reasonableness of the remittance based on the knowledge of its client and any supporting documents submitted to justify the existence of special situations.

Communication “A” 5330 also states that money transfers to foreign countries for family support exceeding the equivalent of USD 300 per client, per calendar month (in all institutions authorized to engage in foreign exchange transactions) must be made by check drawn by the client or by debiting the client’s demand deposit account held at a local financial institution, in accordance with any of the payment methods in force. That is to say, residents can only use cash to access the foreign exchange market for the purpose of remitting funds abroad for family support up to the amount of USD 300.

Furthermore, it should be noted that purchase and sale of foreign currency by non-residents in the local foreign exchange market for services, income and current transfers are specifically regulated by other BCRA Communications (Communications “A” 4662, “A” 4692 and supplementary communications).

Due to the low volume of migrant workers’ remittances made through institutions authorized to engage in foreign exchange transactions, this rule would seem to be of little importance for the topic under discussion. Indeed, an analysis of the above-referenced rules reveals that the Foreign Exchange Regulatory Framework does not distinguish between remittances of migrants and foreign exchange transactions that exceed the sums indicated by the aforesaid rules, as it establishes the same requirements for both. Therefore, in most cases, migrants find it impossible to send remittances through authorized institutions, and must thus resort to “informal” unregulated channels. In doing so, migrants not only face high transfer costs, but are they also left without the protection afforded by legal transactions and by consumer defense legislation. Finally, resorting to “informal” channels also entails the commission of a foreign exchange-related offence.[43]

2.1.2 Financial Intermediation Rules and Regulations

Financial intermediation regulations are found in Law No. 21526 on Financial Institutions. These regulations are worth mentioning because the funds received by remittance service providers may be used by them for other transactions, such as deposits or loans. It should be noted that conducting such activities may be construed as financial intermediation transactions. Thus, remittance service providers should bear in mind that financial intermediation may be carried out only with the BCRA's prior express authorization.

Accordingly, if a remittance service provider is not authorized by the BCRA for financial intermediation, it must refrain from conducting activities that may be construed as financial intermediation. In effect, financial intermediation activities carried out without the BCRA's authorization constitute an offence under the new Article 309 of the Criminal Code of the Argentine Republic.

2.1.3 Anti-Money Laundering and Countering Financing of Terrorism Rules and Regulations

Law No. 25246 (Anti-Money Laundering Law of 2000) started shaping Argentina's legislative system for the prevention and repression of money-laundering and terrorism financing. One of the central pillars of the system for the prevention and fight against such offences is the obligation to report to Unidad de Informacion Financiera (UIF, Financial Information Unit) imposed by the Anti-Money Laundering Law on certain parties that, in view of their profession or trade, are considered susceptible of being used by their clients for money-laundering or terrorism financing purposes. Article 20 of the Anti-Money Laundering Law contains an exhaustive list of such parties (Reporting Parties or Gatekeepers).

Reporting Parties' obligations are generally set out in Article 21 of the Anti-Money Laundering Law, and basically refer to the duty of gaining knowledge about their clients, reporting suspicious transactions and ensuring confidentiality of any acts carried out to comply with the law. However, given the variety of Reporting Parties, the Anti-Money Laundering Law has provided that the UIF should establish, for each of them, specific compliance modalities and limits based on the characteristics of their profession or trade. Thus, through several resolutions, the UIF has regulated the specific duties of most Reporting Parties.

In addition, there are pre-existing regulations for remittance service providers, which have not been expressly amended or repealed by UIF Resolution 66/2012 (for instance, UIF Resolution 121/2011 and Article 13 of UIF Resolution 70/2011). Finally, Reporting Parties must comply with all other applicable UIF resolutions (e.g. those relating to terrorism prevention, politically exposed persons, online registration and reporting, and systematic reports, among others).

In order to fulfil their obligations of gaining knowledge of their clients, Reporting Parties must require them certain personal and income-related information. It should be noted that anti-money-laundering rules do not distinguish clients of Reporting Parties that are migrant workers or low-income individuals. Therefore, Reporting Parties are required to request information from their clients without any distinction based on their personal qualities or the reason for a given transaction (e.g. family support).

2.1.4 Business Rules and Regulations

The regulatory framework for companies in Argentina is found in Law No. 19550 on Companies (*Ley de Sociedades Comerciales*). Such law sets forth the requirements for the organization and existence of a company, and lays down basic principles regarding – inter alia – a company's type, form, purpose, operation and essential requirements for the types of companies provided for by Argentine law.

It is particularly important to bear in mind the provisions of Law No. 19550 regarding the purpose of a company, which outlines a company's activities and capacity, and its scope of authority. As a general rule, the purpose of a company must be "the production of or trade in goods and services". This purpose must be specified in a company's articles of incorporation, so that the diverse activities that it may carry out are known. Accordingly, for a company to have the capacity to provide remittance-related services, such activity (and any other activity needed for that purpose) must fall within the scope of its purpose, and be clearly and accurately set out.

Registration of companies is regulated at the provincial level. Companies are thus subject to the rules applicable in the jurisdiction of their registered office. It should be noted that a large percentage of companies existing in Argentina are registered in the jurisdiction of the Autonomous City of Buenos Aires, and are thus governed by the rules of the companies' regulator known as Inspección General de Justicia (IGJ).

2.1.5 Consumer Protection Legislation

Law No. 24240, as amended, constitutes the regulatory framework of consumer or user protection. This law sets forth basic consumer protection principles on the assumption that a consumer is weaker in a commercial relationship than the provider of goods or services.

As a result thereof, consumer protection regulations limit party autonomy regarding their commercial contracts by providing public policy rules on the rights and obligations of consumers and providers of goods and services, including – among others – disclosure obligations, unenforceability of abusive contract provisions, warranties, and offer and sale conditions. Failure to observe these regulations may lead to the imposition of different sanctions on a case-by-case basis.

2.1.6 Regulations Related to the Authorization of Commercial Activities, Industries and Similar Undertakings

Commercial, industrial and service provision activities are regulated by different provincial and/or municipal rules that vary by jurisdiction. In addition, the requirements for obtaining municipal authorization vary depending on the business conducted.

The procedure for obtaining authorization for a business from the competent local authorities must be carried out pursuant to the applicable local regulations. Therefore, it is not possible to identify uniform criteria regarding the requirements for the authorization of remittance-related activities. Thus, the requirements to be fulfilled by a remittance service provider for obtaining authorization must be analysed on a case-by-case basis, taking into account its location and service provision modalities.

2.1.7 Regulatory, Supervisory and Oversight Authorities

Central Bank of the Argentine Republic

The BCRA is an autarchic entity whose purposes, powers, duties and functioning are governed by Law No. 24144 (BCRA Charter) and its amendatory and supplementary regulations. Law No. 24144 provides that the purpose of the BCRA is to promote "[…] monetary stability, financial stability, employment and economic development in a framework of social equity".[44]

The BCRA's duties are – among others – to "regulate, to the extent of its powers, all payment systems, clearing and settlement houses, remittance companies and cash-in-transit companies, and any other activity related to the financial and foreign exchange sectors".[45]

Financial Information Unit

Anti-Money Laundering Law No. 25246 created the UIF, which reports to the Ministry of Justice and Human Rights of the Argentine Republic, and is responsible for analysing, treating and transmitting information for the purpose of preventing and impeding money-laundering and terrorism financing.

It should be noted that, if remittance service providers are not specifically within the scope of the BCRA's regulations to operate as such, the UIF will verify whether their operations fall within any of the other cases of Reporting Parties under the Anti-Money Laundering Law, and apply the relevant provisions.

Companies' Regulator (Inspección General de Justicia)

IGJ is an agency that reports to the Ministry of Justice and Human Rights of the Argentine Republic, and is organized by Law No. 22315 (IGJ Charter). The duties of the IGJ include, among others, registering and overseeing Argentine and foreign companies, civil associations and foundations organized in the Autonomous City of Buenos Aires; and entering in the records of the Public Registry of Commerce all Argentine and foreign business companies, as well as the licences of traders and commercial agents.

It should also be noted that remittance service providers that do business outside the Autonomous City of Buenos Aires must comply with the rules of the Public Registry of Commerce that has jurisdiction over the territory in which they do business.

2.2 Legal and Regulatory Framework Related to Remittance Transactions in Bolivia

This section presents a brief analysis of the relevant legal and regulatory aspects related to the receipt of remittances from abroad in Bolivia, and of the regulatory, supervisory and oversight authorities.

Bolivia has produced a wide range of rules and regulations concerning international remittances, especially between 2011 and 2012. Some examples are: the approval of specific regulations for the transfer of international remittances from the BCB and a circular issued by Autoridad de Supervisión del Sistema Financiero (ASFI, Financial System Supervisory Authority) about exchange bureaus, both in June 2012; BCB regulations on electronic payment instruments in October 2011; and BCB regulations on payment services, in September 2011.

In this context, it follows an overview of the main new rules and regulations, as well as an introduction to the general legal framework with its regulation and control authorities.

2.2.1 Regulations for International Remittance Transfers (Central Bank of Bolivia Board of Governors Resolution No. 071/2012)

On 19 June 2012, the Board of Governors of the BCB approved the Regulations for International Remittance Transfers. These Regulations define "international remittance transfers" as cross-border payments by which resident individuals send or receive money to and from foreign countries through authorized financial intermediation institutions (*entidades de intermediación financiera* (EIFs)) or payment service providers (*empresas proveedoras de servicios de pago* (ESPs)).[46] Specialized money transfer companies and paying institutions that do not belong to the financial market, such as international money transfer operators and couriers, must organize themselves as ESPs in accordance with applicable requirements.

Exchange bureaus are institutions currently involved in the market of family remittances and are not regulated as ESPs, but by the Circular of the Financial System Supervisory Authority, which sets out the requirements to be met by these companies for providing international remittance services (Amendments to the Regulations for the Organization, Incorporation, Functioning, Dissolution and Closure of Exchange Bureaus, ASFI Circular No. 125 of 1 June 2012).

The most important provisions of these new regulations include the obligation for ESPs to obtain a licence from ASFI, and ASFI's periodical publication of a list of entities authorized to carry out international remittance transactions. In addition, Article 12 provides that the BCB has the duty to set and periodically revise minimum and maximum exchange rates that may be applied by remittance service providers. Furthermore, Article 14 sets forth that companies providing international remittance services are required to display any fees charged for the payment of remittances and the exchange rates applied on a sign visible to the public. In addition, the BCB and the ASFI must post all this information on their websites.

Finally, ESPs and EIFs providing international remittance services have 360 calendar days commencing on 19 June 2012 to adapt to the Regulations for the Transfer of International Remittances, until 14 June 2013. This long adaptation period should theoretically avoid any delays and exceptions on the part of ESPs and EIFs.

2.2.2 Foreign Exchange Regime

Law No. 1182 guarantees freedom of currency exchange, with no restrictions on capital inflows and outflows. Moreover, Article 3 of Law No. 1670 sets forth that the BCB has the duty to formulate general monetary, foreign exchange and payment system policies in furtherance of its purpose. Finally, Article 20 states that the BCB has the power to regulate financial transactions with foreign countries carried out by individuals or public and private entities.

2.2.3 Financial Intermediation Rules and Regulations

Financial intermediation entities supervised by the ASFI are governed by Law No. 1488, which sets out the permitted remittance transactions in Articles 38 and 39. Moreover, Law No. 1864 (Law on People's Property and Credit) sets forth in Article 25(c) that the State must "support the expansion of services and coverage of financial intermediation cooperatives in the framework established by Title 3 of this Law", which allows cooperatives to add remittance payments to the range of financial services they offer.[47] Finally, it should be noted that Private Financial Funds are regulated by Decree No. 24000, which lists the permitted remittance operations.

2.2.4 Payment System Rules and Regulations

Law No. 1670 provides in Article 54 that the BCB Board of Governors has the power to regulate the management of payment systems between authorized financial entities, and to approve, amend and interpret the BCB Statute and Regulations.

Board of Governors Resolution No. 070/2001 created the Large-value Payment System (*Sistema de Pagos de Alto Valor* (SIPAV)), and the corresponding regulations were approved. In 2004, Resolution No. 166/2004 updated such regulations and, in August 2007, Resolution 109/2007 approved the inclusion of non-banking institutions supervised by ASFI as SIPAV participants. Finally, in February 2008, the new Regulations for Electronic Clearing Houses and Clearing and Settlement Services entered into force.

In 2011, sweeping changes to payment system legislation occurred. The Board of Governors of the BCB approved on 13 September 2011 the Payment System Bill, which is currently in the Ministry of Economy and Public Finance and will be subsequently forwarded to the Plurinational Legislative Assembly of Bolivia for promulgation.

On 27 September 2011, the BCB Board of Governors approved the Regulations for Payment Services. Article 6 provides that "for the provision of payment services, ESPs must obtain a license from the ASFI. The license shall specify the payment services that may be performed by an ESP within the framework of these Regulations". Article 10(e) lists, among the payment services that ASFI-authorized EIFs and ESPs are allowed to provide, the payment of international remittances under a contract with authorized international remittance entities.

The obligations of EIFs and ESPs include forwarding their rates to the BCB for initial approval and any subsequent modifications to such rates, and informing their rates to the public. With regard to agency relationships, the Regulations provide that ESPs may hire agents to provide payment services on their behalf, for which purpose a service agreement must be signed, spelling out the rights and duties of the agents and ESPs. The ASFI must ensure that these contracts do not contain provisions that violate the rules in force. ESPs must take on full responsibility for all operations conducted by their agents, and employ mechanisms that guarantee their efficiency and security. Finally, in the event that an agent fails to comply with the provision of the service, ESPs must assume full responsibility for all financial damage caused and reimburse the respective funds to affected users.[48]

2.2.5 Anti-Money Laundering and Countering Financing of Terrorism Rules and Regulations

The UIF is charged with the duty of compiling information on all remittance market participants (Law No. 1768 and Decree No. 25771). Pursuant to Order No. 004/2008, all Financial Auxiliary Service Companies that engage in the payment of remittances, such as exchange bureaus, cash-in-transit companies and money transfer operators, must designate a Responsible Officer in charge of liaising between the company and the UIF, and sending Suspicious Activity Reports whenever appropriate.

2.2.6 Regulatory, Supervisory and Oversight Authorities

Central Bank of Bolivia

The BCB is Bolivia's monetary and exchange authority. It formulates payment system policies and is empowered to regulate financial transactions with foreign countries. The BCB is the agency that regulates the remittance market and is responsible for officially compiling its statistics. Among other oversight activities, the BCB approves the fees applicable to payment instruments and services.

Financial System Supervision Authority

The ASFI is in charge of supervising the remittance market. Bolivia has rearranged its financial system and granted autonomy to the Superintendency of Banks and Financial Institutions (known today as the ASFI) through Decree No. 21660 of 1987. The ASFI is empowered to supervise banks (including the BCB), financial funds, cooperatives, mutual companies, financial non-governmental organizations, and savings and credit cooperatives.

Within the framework of Banks and Financial Institutions Law No. 1488 (Revised Text) and on the basis of the BCB Board of Governors Resolution No. 121/2011, the ASFI may rely on Article 4 of such law or any other it deems fit for expanding its scope of authority to ESPs as financial auxiliary service companies. The ASFI enforces Regulations 121/2011 and payment service contracts, makes periodic reviews of contingency systems associated with payment services, and imposes sanctions as appropriate. In addition, the ASFI defines and enforces consumer protection policies and preventive measures and sanctions, and verifies that the rates or fees charged by entities are available for public inspection.

The ASFI has created the Office for Rights of Financial Consumers, which supervises the application of the Regulations for the Functioning of the Customer Complaint Service (*Servicio de Atención de Reclamos de Clientes* (SARC)), by which financial entities are required to respond to clients' complaints. This service must be provided free of charge by banks, mutual companies, cooperatives and private financial funds to their clients. A client can file its complaints to the SARC of the respective financial institution in writing or orally, and enclose any necessary supporting documentation.

Finally, it should be noted that the ASFI will hear complaints only when all the means offered by financial institutions for that purpose have been exhausted. Furthermore, the ASFI cannot take part in any court proceedings, as it is not authorized to settle any disputes that are beyond the administrative and regulation arenas.

Financial Investigations Unit

Law No. 1768 created the UIF, an administrative intelligence unit responsible for financial activities[49] within the organizational structure of the Financial System Supervisory Authority. The UIF's main duty is to search for and analyse data on alleged money-laundering and other financial offences by requesting specific information to the finance sector at the request of a government prosecutor.

Superintendency of Companies

The Superintendency of Companies, created by Law No. 2427 of 2002, has national jurisdiction over individuals and entities concerning reorganization and voluntary liquidation, antitrust, corporate governance and registry of commerce. Institutions that participate in the workers' remittance market and that are not regulated by the ASFI are subject to the jurisdiction of the Superintendency. Nevertheless, the Superintendency of Companies has no authority for the surveillance or defense of consumer rights.

3. SENDING AND PAYING REMITTANCES IN THE ARGENTINA–BOLIVIA CORRIDOR

3.1 Remittance Transfer Processes

This chapter analyses how remittances are sent from Argentina to Bolivia, including intermediation and the different money transfer schemes. Despite the limitations in accessing information and the little willingness of market operators to collaborate with our research, Section 3.2 focuses on service providers, the elements of remittance costs and payment methods.

The process for sending remittances from Argentina to Bolivia involves a series of entities, as well as agents and, in some cases, sub-agents. The process starts at a remittance service provider in Argentina where the migrant's money is received. The transfer is made through a payment order to the paying entity in Bolivia. This money flow is subject to reconciliation between the service provider and its agents or sub-agents. Such reconciliation ends with the deposit of the money collected by agents or sub-agents into the supplier's account in Argentina, and each deposit groups together a series of money orders.

When the Argentine remittance service provider has received a certain volume of remittances, a reconciliation process takes place with the payer in Bolivia. The latter reports payments made and receives the money in an aggregate amount, generally through interbank transfers. In Bolivia, institutional remittance payers are financial intermediation entities (particularly commercial banks and private financial funds) or entities specializing in money orders (couriers and currency exchange bureaus); money transfer operators usually have agreements in place with local remittance payers.

In Argentina, if the collecting agencies are commercial banks or currency exchange bureaus (entities authorized by the BCRA), international remittances are considered currency exchange transactions and must meet all the requirements of the foreign exchange regulatory framework.

In addition to the remittance service providers regulated by the BCRA, the service might be offered by an institution[50] that is not authorized by the BCRA to operate with foreign currency, through these two business schemes:

1. Compensation-based scheme
2. Currency exchange-based scheme

3.1.1 Compensation-based Scheme

In the compensation-based remittance system, the Bolivian migrant goes to an Argentine remittance service provider to deliver a certain amount of money – for a fee – to another person in Bolivia. The service provider then instructs an entity in Bolivia[51], which can be an affiliated company or not, to deliver the agreed amount of money to a given person, as requested by the Bolivian customer.

In this scheme, the Argentine and Bolivian remittance service providers have two different forms of compensation, with different consequences, depending on whether the remittance service entails receiving Argentine pesos (ARS) or another currency (for instance, USD).

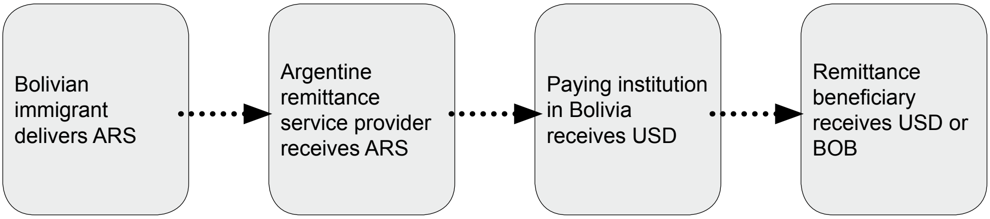
Compensation Scheme Using Argentine Pesos

When a remittance service provider receives Argentine pesos, it would be reasonable to believe that this transaction entails buying or selling currency since to send a remittance to Bolivia, the Argentine remittance service provider would convert the pesos into USD – or Bolivianos – and, therefore, could not justify to the BCRA how it managed to send the money order without converting it into another currency. Consequently, this transaction should be considered a foreign exchange transaction that should be carried out through an authorized entity, in compliance with all of the regulatory framework's requirements.

Considering the Bolivian side of the remittance process, it is important to highlight that the Bolivian remittance service provider fulfils the instructions by delivering money of its own (that is to say, cash that does not belong to the Argentine remittance service provider) to the beneficiary, under the description of "family aid". In exchange for fulfilling that instruction, the Bolivian remittance service provider charges the Argentine remittance service provider a fee and recovers the amounts delivered through a compensation system.

Within this scheme, both entities settle their credits and debits on the basis of instructions given, received and fulfilled during a certain period of time; once the amounts have been settled, the debtor delivers the pertinent amount to the creditor. The domicile of payment can be the place of incorporation of the remittance service provider or not.

Figure 12: Compensation scheme using Argentine pesos



Source: Prepared by the author.

Compensation Scheme Using Foreign Currency

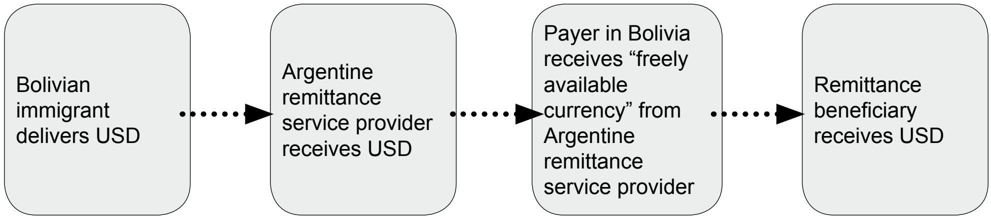
This scheme is more of a theoretical than practical model because the case of a Bolivian immigrant interested in sending foreign currency through any formal channel is remote. Indeed, the field research results presented in Chapter IV show that no migrant in the sample uses the compensation scheme with delivering of foreign currency. Nonetheless, it is important to analyse this possibility for the process that this business scheme entails.

If the Bolivian immigrant delivers foreign currency (for instance, USD), the process implies that the immigrant will instruct payment and hand over the same currency as that in which payment will be made in Bolivia, without having to engage the Argentine remittance service provider in the foreign exchange transaction.

In this case, payments arising from the compensation mechanism shall be made directly abroad using "freely available currency"[52] that is already abroad and belongs to the Argentine remittance service provider. In the case of collection of money by the Argentine remittance service provider, arising from the compensation mechanism, the funds should be kept abroad as "freely available currency" or repatriated to Argentina up to an amount of USD 2 million per calendar month.[53]

Additionally, it is necessary to bear in mind that during the different stages of this compensation mechanism (particularly at the end), the Argentine remittance service provider should not be financed by the Bolivian remittance service provider,[54] since this situation could be construed by the BCRA as indebtedness, with the possibility of bringing about unfavourable exchange-related consequences for the Argentine society. In this case, the BCRA might decide that such funding should enter the local exchange market,[55] and that 30 per cent of the funds be used to set up a 365-day unavailable deposit called *Encaje*, which is a mandatory legal cash reserve.[56]

Figure 13: Compensation scheme using foreign currency



Source: Prepared by the author.

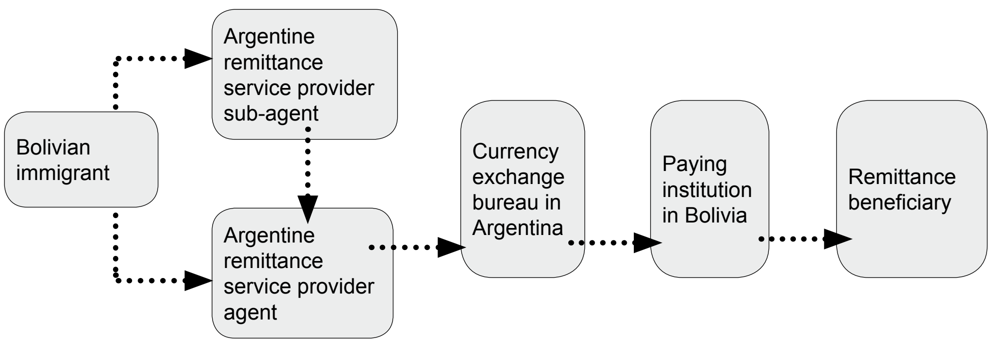
3.1.2. Currency Exchange-based Scheme

The currency exchange-based scheme considers a disbursement of foreign currency in which the Argentine remittance service provider, at its points of sale, receives Argentine pesos from Bolivian migrants, together with instructions for sending the funds abroad. Furthermore, these clients give the Argentine remittance service provider an explicit mandate to carry out any currency exchange transaction needed.

After the pertinent instructions have been provided, an entity authorized by the BCRA to operate with foreign currency steps into the process (e.g. an exchange bureau). The Argentine remittance service provider presents all remittance transactions it was instructed to carry out, as well as the amount of pesos received, discounting any commercial fees applicable. They usually make these presentations on a daily basis.

These transactions are carried out within the provisions of the Argentine regulatory framework for currency exchange, where the Argentine remittance service provider acts on behalf of its clients, having to sign all currency exchange slips and documents required by the BCRA in these cases.

Figure 14: Currency exchange-based scheme for sending remittances



Source: Prepared by the author.

3.2 Remittance Service Providers, Costs and Forms of Payment

Among the remittance service providers in Argentina, commercial banks are not yet important players of the Argentina–Bolivia corridor. It is worthy to highlight that Oportunidad Microfinanciera Latinoamericana (OMLA)[57] is the only MFI active in the Argentine remittance market, functioning as an agent of a money transfer operator in the country.

According to data provided by the BCRA and the Argentine Chamber of Currency Exchange Businesses and Exchange Bureaus, currency exchange bureaus increased their business from USD 277,447 in 2008 to USD 415,380 in 2011, although they still account for less than 1 per cent of the market, controlled to a great extent by money transfer operators, with a high degree of informality.[58]

As regards remittance costs, these are linked to the amount of the money order and the typology of the intermediaries involved in the process of sending the remittances.

With the exception of remittances sent through a currency exchange bureau,[59] the total cost of transferring remittances has two components: the fee for sending the money, which is the explicit cost of all remittances, and the exchange rate margin that is an implicit cost of such transactions, and, in some cases, a source of abuse by service providers.

Indeed, the level of transparency of the remittance market in Argentina is low, which leads to higher transaction costs for Bolivian migrants. In 2012, costs increased mainly because of the increase in exchange rate differentials, along with the growing application of unofficial exchange rates (also called the "blue rates").

According to some of the interviews with Argentine market operators, fees vary depending on the amount to be transferred – from 2 per cent to 35 per cent plus VAT (21%)[60] for most remittance service providers – and this range can be explained by the exchange rate used by each of them. That is to say, those converting Argentine pesos into USD using the official exchange rate usually charge higher fees, which vary according to the amount of money sent; while those using the ARS–USD blue rates usually apply lower fees and ask for a given amount of pesos in exchange for a certain amount of USD or Bolivianos, without breaking down remittance costs. In the latter scenario, field research has identified several cases of remittance service providers that applied an exchange rate that was even higher than the ARS–USD blue rates, thus producing an important increase in the sending costs. In some instances, an exchange rate of over ARS 7.3 per USD 1 was applied, when the official exchange rate for January–September 2012 was never over ARS 4.7 to the dollar.[61]

Some of the remittance service providers interviewed pointed out that the increase in prices for sending remittances in 2012 has had strong consequences on the market as from the month of April, with an average reduction of around 30 per cent in the Argentina–Bolivia corridor flows. This value, which is merely indicative and based on informal interviews with the very few market operators that decided to collaborate with this study, is in line with the decline in remittances calculated by the BCB during the first five months of 2012, compared with the same period in 2011.[62]

The most recent data on payers of Bolivian remittances is from the CEMLA–MIF study of 2010,[63] which reports figures of the BCB on the total amount of family remittances that entered the country in 2007. According to this report, 84 per cent of remittances paid in Bolivia went through institutional channels, of which 75 per cent was paid by commercial banks; the remaining 16 per cent of remittances are deemed to have entered through informal channels, being personal trips and handcarries by third parties (the so-called *encomenderos*),[64] the two main sending options.

When limiting the analysis to the informal flows in the Argentina–Bolivia corridor, it can be noted that there is no official data on the Argentine or Bolivian side, despite the fact that an apparently significant part of remittances is sent through non-institutional methods (through *encomenderos*, personal trips, and travel by relatives, friends or acquaintances). Indeed, the field research sample presented in Chapter IV shows that almost one fifth of remittances to Bolivia go through informal channels, and the latter represent the second modality for sending money, next to international money transfer operators.

As to the time it usually takes for the money to reach the destination, it must be highlighted that remittances can be cashed at paying institutions in Bolivia a few hours after completion of the transaction in Argentina. Depending on the time the order was placed, a remittance can be considered a sort of "same-day transfer".

Money transfers from Argentina are generally made in cash. In Bolivia, the vast majority of remittances are also paid in cash, but there exist a non-irrelevant percentage of transfers deposited into bank accounts. Based on the only available data, which refers to the total Bolivian inbound flows in 2008, 92 per cent of remittances were paid in cash, while 8 per cent were paid to bank accounts.[65]

Finally, payment of remittances in Bolivia can be made in national or foreign currency, usually USD. Based on information collected in interviews with market operators, the CEMLA–MIF study calculated that over 61 per cent of all remittances that entered Bolivia at the beginning of 2007 were paid in USD.[66]

In conclusion, based on the analysis carried out in this chapter, when sending their remittances to Bolivia, migrants encounter major obstacles and challenges such as high transfer costs and little transparency in terms of fees and, above all, in terms of exchange rate margins. There is also the complexity of the remittance transfer schemes used by the entities not authorized by the BCRA to operate with foreign exchange. Finally, it must be highlighted that the Argentine market does not offer yet transnational financial products and services, which is linked to the development of small businesses and personal assets for the potential return of migrants to their homeland.

4. ACCESS OF BOLIVIAN MIGRANTS TO REMITTANCE SERVICES

4.1 Methodological Design of the Field Research

This chapter presents the methodology and outcomes of the field research, analysing access to and use of remittance services by Bolivian migrants in Greater Buenos Aires and Greater La Plata.

The analytical process of the research intended to verify the following main assumption: the Bolivian community mainly uses traditional remittance services, or resorts to the informal market of friends and passenger transport companies; consequently, there is no productive channeling of remittances through transnational financial services.

In order to verify this assumption, a methodology was designed considering the great difficulties in finding Bolivian migrants willing to talk about their financial flows, their family members in Bolivia, and their consumption and investment habits. This situation is due not only to the fact that, overall, this data is sensitive information,[67] but also to the fact that the Bolivian community in Argentina is very distrustful of formal financial services, including remittance services.

In light of these difficulties, a mix of quantitative and qualitative tools was adopted: a questionnaire for carrying out a survey and obtaining statistics, and a series of open-ended questions used during interviews, to delve deeper into some of the relevant topics observed during the survey.

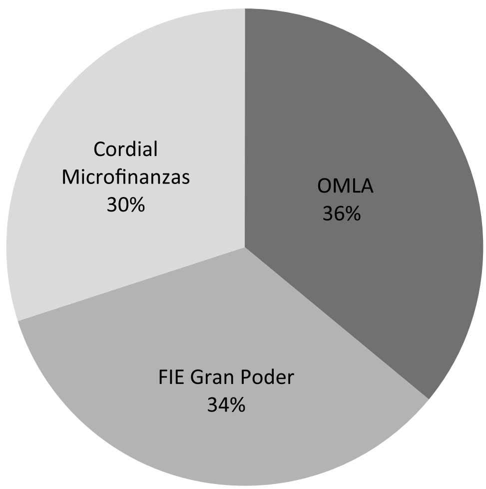
The identification of the target population was possible, thanks to the collaboration of Bolivian associations in Greater Buenos Aires and Greater La Plata, of Bolivian consulate authorities in Buenos Aires, and the National Directorate for Migration of the Ministry of the Interior and Transport of the Argentine Republic.

The survey sample included 200 Bolivian immigrants, mostly living in the Buenos Aires Metropolitan Area,[68] that is to say, the administrative area that encompasses the City of Buenos Aires (the Federal Capital of Argentina) and 32 districts of Buenos Aires Province. In the rest of Buenos Aires Province, the study focused on Greater La Plata, given the strong presence of Bolivian workers in the agriculture sector, who live in La Plata or its surrounding municipalities.[69]

Determination of the sample size has a sampling error of 3.36 per cent, and a confidence interval of 95 per cent.[70] The survey methodology reproduces and adapts techniques that have traditionally been applied to remittance samples which allow for observation, recording, quantification and characterization of how much is transferred, what channels are used, the information provided to migrants by remittance service providers, the use of remittances in Bolivia, expectations and preferences of migrants with regard to the transnational financial services, and a potential return to migrants' homeland.

The sample of 200 Bolivian workers was divided into two sub-samples: the first sub-sample consists of 100 migrants who are not clients of any MFI; the second sub-sample consists of 100 Bolivians who are clients of three of the major MFIs in Argentina, namely FIE Gran Poder, Cordial Microfinanzas and OMLA.

Figure 15: Breakdown of the sub-sample of microfinance clients



Source: Prepared by the author.

These three MFIs were selected because of the important niche of Bolivian clients in these institutions, and because of their importance in the Argentine microfinance market (see Table 3). FIE Gran Poder and OMLA are Bolivian MFIs that set up offices in Argentina in 2001 and 2008, respectively. Furthermore, OMLA, which operates as an agent of a money transfer operator, offers de facto international remittance services.

The three MFIs within the sub-sample overall account for 67 per cent of the Argentine microfinance market portfolio, and almost 40 per cent of all microfinance clients in the country. Table 3 summarizes 2011 data on gross portfolios and active borrowers.

Table 3: Microfinance institutions in the sub-sample of Bolivian clients

	Gross portfolio (in million USD)	Active borrowers
Cordial Microfinanzas	10.5	6,505
FIE Gran Poder	15.9	8,480
OMLA	1.8	814

Source: Prepared by the author using MIX Market data, 2011.[71]

A questionnaire composed of 34 structured questions was used with both sub-samples. Each surveyed person was shown a list of pre-determined questions that did not permit to elaborate on the reply beyond the options provided, with few exceptions where questions allowed the migrants to specify generic category replies such as “Other/Others”.

The topics included in the questionnaire were carefully selected, based on the experience of IOM and other international agencies in surveys on remittances. The questionnaire in the survey captures socioeconomic information at the immigrants’ household level and that of their families in Bolivia.

The field research was completed through eight interviews posing open-ended questions, which led to delving deeper into certain aspects of the following areas of interest: migratory history; access to and use of international remittance services; financial literacy and transnational financial service courses; and return to their country. In these semi-structured interviews, a flexible 30-question base was used: a topic was introduced and a guided conversation was established by the interviewer.

Using the same main criterion applied to the survey population, 50 per cent of the interviews were conducted with Bolivian migrants who are MFI clients, while the other 50 per cent were with non-clients.

Interviews focused on the main sectors of employment evidenced in the survey, including members and non-members of Bolivian associations in Buenos Aires Province, with the purpose of having a certain variety of migration profiles.

The next section presents the results of the field research both from the questionnaire-based survey and from the open-ended questions asked during interviews.

4.2 Outcomes of the Field Research

4.2.1. Survey Results

Before analysing the survey results, the main characteristics of the sample, in particular the gender and employment sector of Bolivian migrants, should be noted.

Sample Characteristics

Table 4 shows the distribution of men and women in the sub-samples of MFI clients and non-clients. As it can be noted, in both sub-samples there is a prevalence of men, representing 64 per cent of MFI clients, and 60 per cent of surveyed Bolivians who are not clients of any MFI.

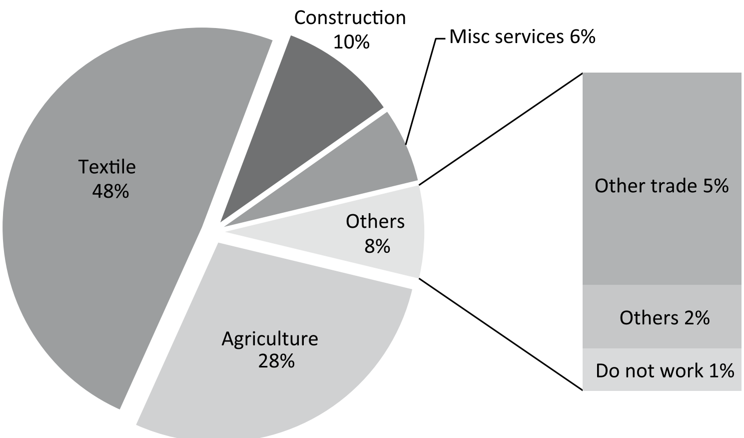
Table 4: Breakdown between men and women in the sample of Bolivian remitters

	Men (%)	Women (%)
Sub-sample of non-clients of MFIs	64	36
Sub-sample of MFI clients	60	40
Total sample	62	38

Source: Prepared by the author.

Almost half of the surveyed Bolivian remitters work in the textile sector (48%), followed by workers in the agriculture sector (28%). Figure 16 shows the distribution of surveyed migrants by occupation.

Figure 16: Breakdown of the sample by occupation[72]



Source: Prepared by the author.

Other important characteristics of the Bolivian immigrant sample surveyed through the questionnaire are determined through their age, education, period of residence in Argentina and history of sending remittances to their family members in Bolivia.

With regard to age, 49 per cent of those surveyed were between the ages of 18 and 34, while 43 per cent was between 35 and 49 years old, and finally less than 10 per cent was over 50.

As regards their education, it can be noted that almost half of the surveyed Bolivians (45%) had gone to primary school (some had fully completed their studies and others only partly); while 28 per cent of remittance senders said they had completed secondary school. Four percent had no kind of education, and only 5 per cent had finished university.

With regard to the period of residence in Argentina and for how long they had been sending remittances, 24 per cent of remitters arrived in Argentina less than three years ago, 35 per cent had lived in the country for between 3 and 10 years, while the remaining 41 per cent had been living in the country for over 10 years. Finally, migrants' history of sending remittances can be divided into three categories: in the first group, 19 per cent had been sending money to Bolivia for less than a year; the second consists of a relative majority of 44 per cent who had been doing so for one to five years; and the third category includes 37 per cent of migrants who had been sending remittances to their families for over five years.

Table 5 summarizes these features of the sample.

Table 5: Characteristics of remittance senders

Characteristic	%
Age	
18–24	14
25–34	35
35–49	42
50+	9
Education	
No schooling	4
Did not complete primary school	18
Completed primary school	26
Did not complete secondary studies	16
Completed secondary studies	28
Did not complete tertiary-level studies	0
Completed tertiary-level studies	2
Did not finish university	2
Finished university	4

Period of residence in Argentina	
Less than a year	7
Between one and three years	17
Between three and five years	14
Between five and ten years	21
More than ten years	41
History of sending remittances	
Less than a year	19
Between one and three years	30
Between three and five years	14
More than five years	37

Source: Prepared by the author.

Remittance Recipients

Most of remitters send money to their parents and siblings, followed by those who send remittances to their sons and daughters. Fifty-three percent of the surveyed migrants send money to their mothers, 30 per cent to their fathers, 18 per cent to brothers, 16 per cent to sisters, 15 per cent to their sons and 8 per cent to their daughters. Minor percentages follow for remitters' grandparents (4% to grandfathers and 3% to grandmothers), and spouses (1% to husbands and 2% to wives). Finally, a significant percentage of migrants (13%) send money to other relatives such as their parents-in-law, uncles, grandchildren and cousins.

In the case of women, remittances are mostly sent by them to their parents and not to their husbands, followed by other recipients such as brothers, children and sisters.[73] On the other hand, 55 per cent of the main recipients[74] are women versus 45 per cent of men. Finally, more sons than daughters receive remittances.

Amounts Remitted, Frequency of Transfers and Income

Statistics on amounts sent and the number of transfers per year show some interesting dynamics between remittance senders who are MFI clients and those who are not. Overall, the Bolivians who are part of the Argentine microfinance system have a greater capacity for sending remittances, and they do so more frequently too. Indeed, the average remittance per migrant client is USD 224, compared with USD 199 sent by a non-client. The difference between the two sub-samples increases when considering the average remittance per transaction: USD 266 for MFI clients versus USD 192 for non-clients. As regards the frequency of remittances, the average for MFI clients is six times a year, while non-clients transfer money four times a year.

The average annual income of a Bolivian who is not an MFI client is USD 5,112, while an MFI client has a mean income of USD 9,816; in other words, non-clients make just over half the amount (52%) of remitters who are MFI clients. On the contrary, there is practically no difference between the two sub-samples when comparing the remittance-to-income ratios. As for non-clients, annual remittances account for 15 per cent of their average annual income, while for clients, it is 16 per cent. These similar ratios are related to the major difference between the average remittances sent per year, since an MFI client sends more than double the amount sent by a non-client.

Table 6 summarizes the differences between the two sub-samples of Bolivian immigrants.

Table 6: Amounts remitted, frequency of transfers and income

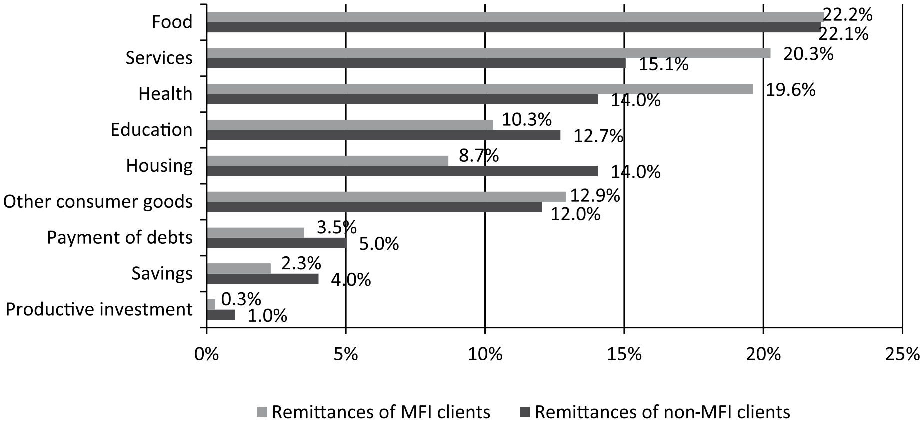
	Non-MFI clients	MFI clients
Remittance by migrant (USD)	199	224
Remittance by transaction (USD)	192	266
Frequency of remittance (yearly)	4 times	6 times
Amount sent per year (USD)	768	1,596
Annual income (USD)	5,112	9,816
Remittance to income ratio, yearly (%)	15	16

Source: Prepared by the author.

Use of Remittances

Most of the remittances are spent on food, services, health, education and housing.[75] If other consumables such as clothing, technology and leisure are added, practically the whole of the remittance is accounted for: in the case of a non-client, all these uses add up to 94 per cent of the remittance, while in the case of an MFI client these represent 90 per cent of the remittance. In other words, there is a very limited generation of productive investments and savings as a result of remittances sent to Bolivia.

Figure 17: Use of remittances



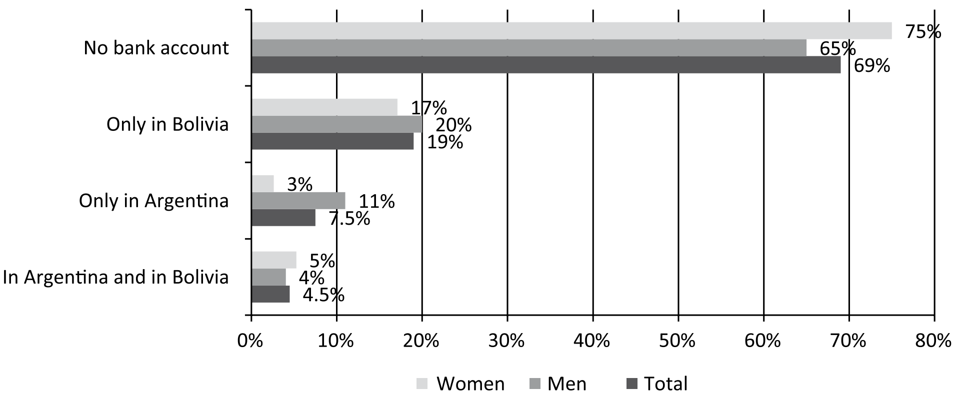
Source: Prepared by the author.

As shown in Figure 17, the family members of remitters who are MFI clients tend to save almost double the amount saved by remittance recipients who are relatives of non-clients. Furthermore, the figures related to productive investments among the family members of MFI clients more than triple those among non-clients' relatives.

Bancarization

Sixty-nine percent of Bolivian remitters have no kind of relationship with the formal financial system, while 31 per cent of surveyed Bolivians have in their transnational families at least one bank account. Figure 18 shows that 7.5 per cent of this 31 per cent has an account in Argentina, 19 per cent has a family member that holds an account in Bolivia, and 4.5 per cent has an account in Argentina and, at the same time, one of their relatives holds an account in Bolivia.

Figure 18: Sample bancarization



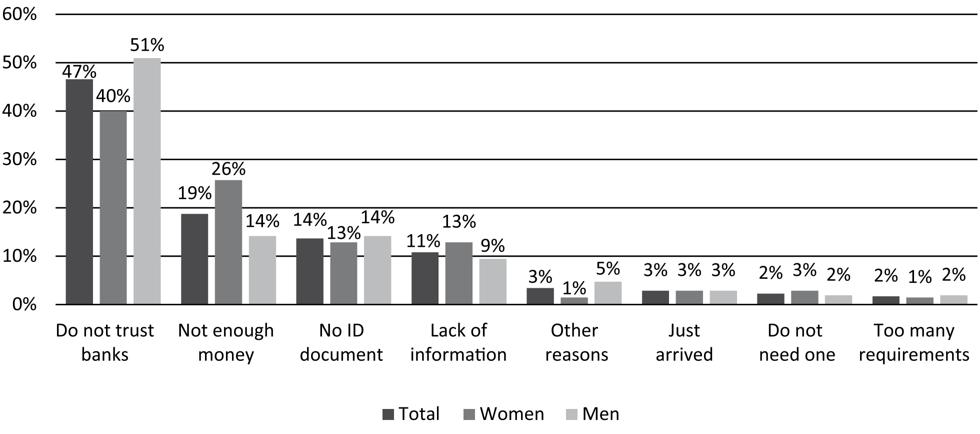
Source: Prepared by the author.

It is interesting to note that there are different levels of bancarization between men and women. Overall, women are 10 percentage points less bancarized than men. In Argentina, only 3 per cent of Bolivian women have a bank account compared with 11 per cent of men. Finally, there are similar percentages, therefore a greater balance, between male and female remitters who have a bank account in Bolivia, and between those who have an account in both countries.

Additionally, the survey has also permitted to check the reasons underlying the fact that 88 per cent of Bolivian remitters do not have a bank account in Argentina. Almost half of the Bolivian immigrants (47%) indicate that the main reason for not opening a bank account in Argentina is their distrust in banks, followed by other explanations such as low incomes (19%) and the lack of identity documents (14%). It is interesting to note that 11 per cent of surveyed immigrants have not opened a bank account because of a lack of financial education.[76]

Furthermore, there are differences between men and women as regards their reasons for not opening a bank account in Argentina. The three most significant ones refer to a lack of knowledge, income levels and distrust in banks. It is interesting to note that more women do not know how or why they should open a bank account, and point to a low income as one of the main reasons for not operating with banks. Finally, women trust banks more than men do.

Figure 19: Reasons for not having a bank account in Argentina



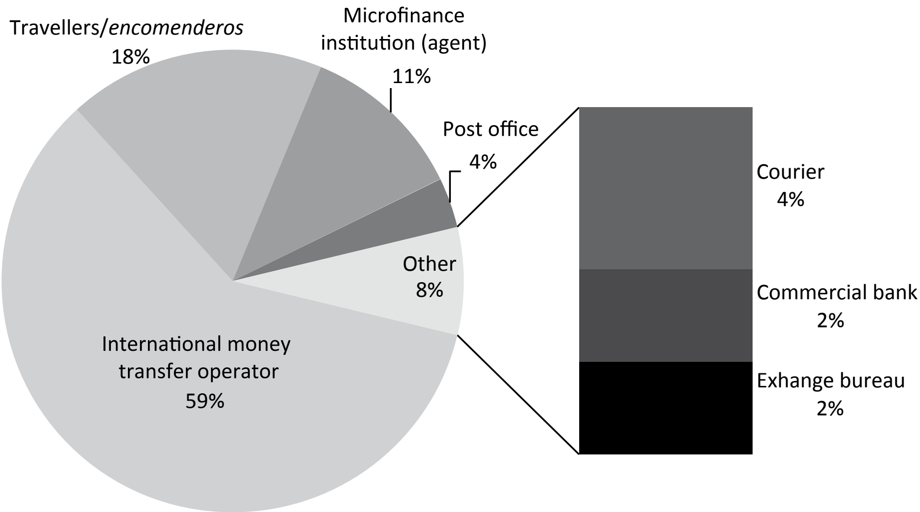
Source: Prepared by the author.

Methods for Sending Remittances

Fifty-nine percent of the surveyed Bolivian migrants send their remittances through money transfer operators. At the same time, a high percentage of Bolivians, almost one fifth of the sample population, use informal methods of transfer, such as personal trips or *encomenderos*. Moreover, there is an important difference between men and women with regard to informal channels: 23 per cent of men send remittances through the above-mentioned informal methods, while only 12 per cent of women use such channels.

Furthermore, 11 per cent of remittances are sent through an MFI that provides remittance services acting as an agent of an international money transfer operator. Finally, it is worthy to note that the small market share of commercial banks and currency exchange bureaus account for only 4 per cent of transfers.

Figure 20: Methods for sending remittances

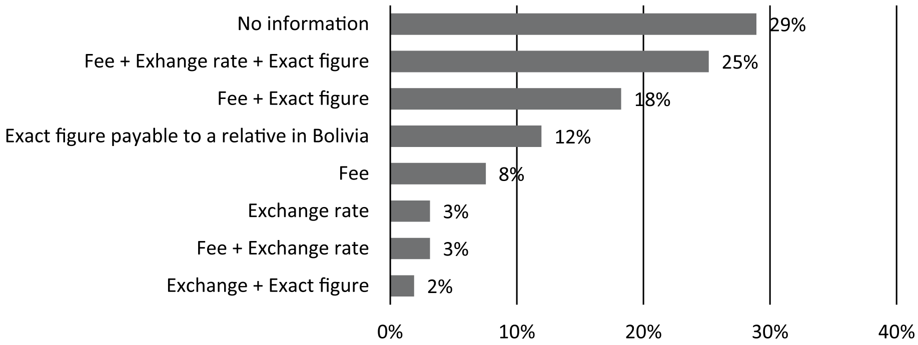


Source: Prepared by the author.

The use of informal channels by Bolivians for sending remittances is related to their low level of bancarization and to the high transfer costs of the available institutional channels. Based on the figures indicated by surveyed migrants, the total average cost of a remittance of USD 1 to USD 100 is 14.4 per cent of the amount sent; for remittances of USD 101 to USD 300, the total cost is 9.7 per cent of the amount sent.

The survey also considered the information provided to migrants by institutional remittance service providers before sending money to Bolivia.[77] It is surprising to see how in 29 per cent of the cases, migrants receive no information whatsoever. Only 25 per cent of the sample population is informed of the three basic elements of the remittance transaction, namely the fee, the exchange rate and the exact figure to be collected by the recipient in Bolivia.

Figure 21: Information received by migrants before remitting to Bolivia

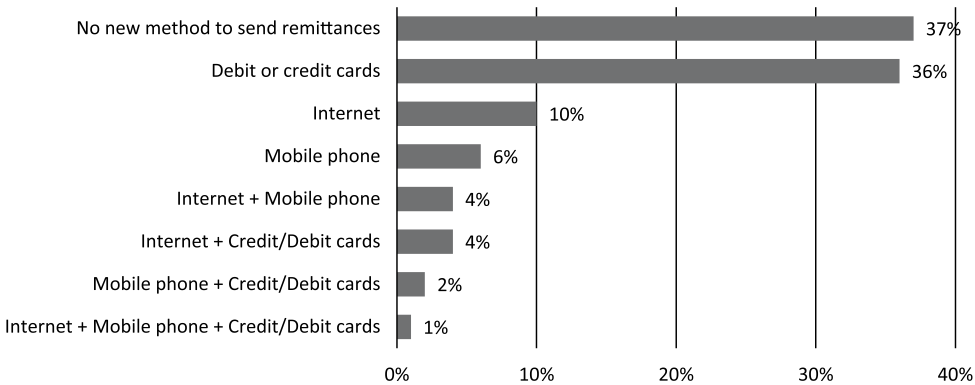


Source: Prepared by the author.

Preferences for New Methods of Transfer

With regard to innovative methods for sending remittances, the survey focused on the "appeal" of the method, without taking into account the actual possibility of its use by the migrant community. For instance, despite the fact that Bolivians in Argentina cannot remit by mobile phone, this channel was included in the questionnaire (a transfer possibility that, for instance, Kenyan and Filipino migrants have in certain destination countries where they live).

Figure 22: Preferences for "new" methods for sending remittances



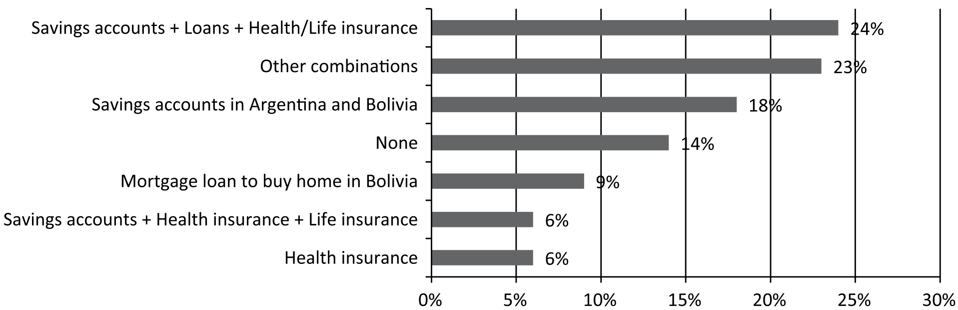
Source: Prepared by the author.

When analysing Figure 22, there is evidently a significant rejection of non-traditional means for transferring money to Bolivia: 37 per cent of the surveyed Bolivians would not use the Internet, or a mobile phone, or a credit or debit card. The only non-traditional option that had a significant level of acceptance was the possibility of having access to debit or credit cards, with additional cards for family members living in Bolivia. Furthermore, it is worthy to note that the Internet was accepted by only 10 per cent of the surveyed Bolivians. Finally, when grouping data by gender, there are no significant differences with the general results presented in Figure 22.

Potential Demand for Transnational Financial Services

In order to examine the preferences of Bolivian remitters regarding new transnational financial services, and the related possibility of facilitating productive uses of remittances, surveyed migrants were asked about the products they would like to have linked to their remittances. As shown in Figure 23, almost one fourth of Bolivian remitters are interested in having savings accounts in Argentina and Bolivia, a mortgage to buy a home in Bolivia, a health insurance for their family members living in Bolivia and a life insurance. As regards single products, opening of savings accounts both in Argentina and Bolivia is the most demanded financial service (18% of migrants), followed by a mortgage to buy a home in Bolivia, payable through remittances.[78]

Figure 23: Demand for transitional financial services



Source: Prepared by the author.

Potencial demanda de servicios financieros transnacionales

The potential demand for transnational financial services relates to the possibility of returning to Bolivia and the economic plans for the future of remitters and their families. With regard to the decision to return to Bolivia, 32 per cent are considering to do so in the future, with no significant differences between men and women. The decision to return marks a greater divide between the two sub-samples, the MFI clients and non-clients: only 22 per cent of clients say they want to return to Bolivia, while 42 per cent of remittance senders who are not MFI clients think of returning to their country of origin.

This difference is most probably related to micro-businesses and investments funded in Argentina by remittance senders that are MFI clients who, in general, tend to think of a future life in the economy in which they work. Risks related to these micro-businesses can also be used as a way to construe the difference in the percentages of those who do not know whether they will be staying in Argentina or not: 35 per cent of MFI clients do not know, while only 16 per cent of non-MFI clients have not yet made a decision on the possibility of returning to Bolivia.

Economic Plans of Remittance Senders

With regard to the economic plans of remitters, field research unveils a great dispersion in the allowed combinations of multiple-choice questionnaire.[79] The highest and most significant percentages are shown in Table 7, which does not make a distinction between men and women because there is no significant difference, save for the higher number of men who answered they had no plans for the future.

Table 7: Main economic plans of Bolivian remittance senders

Plan	%
Refurbish/buy a home in Argentina	12.5
No plans	8.0
Refurbish/buy a home in Bolivia	6.5
Pay for their children's education	6.5*
Start up a business in Bolivia	6.0
Start up a business in Argentina	5.5
Start up a business in both countries	4.0

Source: Prepared by the author.
Note: *Considering only remitters who wish to finance the education of their children in Bolivia, this figure would be 5%.

Remittance senders who plan to buy or refurbish a home in Bolivia is at 6.5 per cent, while the percentage of Bolivians who plan to buy or refurbish a home in Argentina is almost double this figure (12.5%). Nevertheless, the supply of mortgage loans linked to remittances could have important effects on investments in real estate in Bolivia, especially considering the high percentage of migrants who currently have no dwelling in their country of origin (62.5%).

4.2.2 Interview Results

In order to supplement statistical information obtained through the survey, a series of qualitative interviews expanded on some of the topics of special importance in formulating public policy proposals and follow-up actions to this study.

Four Bolivian remitters who were MFI clients and four non-clients were selected and interviewed on the use of remittance service providers, their potential participation in financial education courses, their demand for transnational financial services and on the issue of returning to Bolivia.

Interviews with MFI clients focused on clients of the two Bolivian-owned MFIs (FIE Gran Poder and OMLA) and on the textile sector. Interviews with non-MFI clients had a prevalence of remittance senders in the agriculture sector, and included the participation of the president of one of the biggest Bolivian associations in Argentina.

Market Transparency

All qualitative interviews confirmed the lack of transparency of the market in terms of information conveyed to the remittance sender before making the transfer, and they also corroborated how popular informal channels were among agricultural migrants for sending their money. The lack of transparency translates into the impossibility for remittance service provider clients to learn in detail about the costs they must bear to transfer money to Bolivia, and does not allow them to make informed comparisons among the different channels. The only information the interviewed remittance senders received was the amount of Argentine pesos needed for their relatives in Bolivia to receive a certain amount of USD.

Additionally, the issue of cost transparency is related to abuses in terms of the exchange rates applied to Bolivian immigrants. An interviewed MFI client mentioned that a remittance service provider had asked for ARS 1,600 for his father to receive USD 200 in La Paz. That is to say, the Bolivian remittance sender was charged using the USD 1–ARS 8 exchange rate, when the published ARS–USD rate never went more than ARS 4.7 in the first nine months of 2012.

Demand for Financial Education and Transnational Financial Products

Another very important topic that was broadly discussed in all interviews was the lack of free financial education and the great demand for this kind of literacy among Bolivian immigrants. Financial education for migrants does not only mean providing a series of data so they can find cheaper and more transparent remittance services, but it is also a concept that includes basic tools of financial knowledge to ensure the financial independence of migrants.

The little transparency and abuses in terms of costs for sending money also exist because remittance senders, particularly those who are not MFI clients, do not have the minimum tools of financial education to defend and demand their rights as informed consumers of international remittance services. When segmenting the demand for financial education, a variety of interests can be noted, as well as a theme common to all migrants: savings. There follow different options for sending remittances, health and life insurances, and credit.

Open-ended questions on the possible participation of Bolivian remitters in financial education courses were matched by others on their potential demand for transnational financial products. The most required product was a savings account, which would allow migrants to save in a simple and safe manner and, at the same time, have a cheaper channel for sending money to Bolivia; this savings account should also allow migrants to have a debit card with supplement cards for their family members. Another product demanded by many of the interviewed migrants was a mortgage payable with remittances to buy a home in Bolivia.

Despite the lack of these products on the market, in some interviews it was noted that remittance senders adopt alternative strategies to facilitate their real estate investments in Bolivia: for instance, paying one of their relatives a percentage of their remittances to manage the process of purchasing a home.

Two transnational financial products that appeared to be of interest and gave rise to questions during the interviews were the health and life insurance policies. Finally, remittance senders who have children living in Bolivia mentioned the need for loans to fund their education. On the other hand, among Bolivians who have been living in Argentina for many years with their children, demand for this kind of loans is practically inexistent since, in most cases, immigrants would like their children to go to school in Argentina, or they have already finished their studies.

The interviews led to better linking the dynamics of remittances and consumption, showing that this money is mainly spent on food, medicine, clothing and services and that, in some cases, migrants are not particularly sure about the actual use of these funds. In addition, it was noted how the potential introduction of transnational financial products could allow for savings and investments through remittances, something that has so far only been leveraged by very few Bolivian migrants, such as those who were able to buy themselves a home in Bolivia.

Return of Migrants to Their Country and Demand for Transnational Financial Services

Finally, the study analyses the economic return of migrants to Bolivia, in relation to their demand for transnational financial services that could facilitate the process and appropriately prepare such return to their homeland. Interviews show how their return is basically linked to two different perspectives: one perspective is that the youngest wish to go back and start up a business, so they need a loan to invest at a distance in a new economic activity; from another perspective, some wish to return to Bolivia to live their years of retirement, owning their home for when they can no longer be economically active workers. In the first scenario for returning to their country, migrants point to the need for obtaining a productive loan to start up a micro-business, while in the second case, migrants would like a mortgage loan to pay for a home, payable through a monthly percentage of their remittances.

In brief, the outcomes of Chapter IV, obtained through the survey and interviews, have led to verifying the main assumption of this research work. The Bolivian communities in Greater Buenos Aires and Greater La Plata mainly use traditional remittance services and, indeed, almost one fifth of migrants use the informal market of friends and passenger transport companies. There is currently no productive channeling of remittances through transnational financial services.

Hereafter, Chapter V, delves deeper into the conclusions reached and, based thereupon, outlines a series of public policy proposals to improve the current situation of immigrants, as regards access to and use of international remittance services.

5. CONCLUSIONS AND GUIDELINES FOR PUBLIC POLICY PROPOSALS ON REMITTANCES

5.1 Conclusions

The results of this study indicate that the intraregional corridor between Argentina and Bolivia lacks options to foster the productive use of remittances, and there is still a long way to go in terms of transparency and openness of the remittance market to the microfinance and formal finance sectors. At present, there are no transnational financial products and services on the Argentine market linked to the development of small businesses or personal assets for potential returns to Bolivia.

The analysis of the Argentina–Bolivia corridor shows the importance of remittance flows in macroeconomic terms, since Argentina is the second source of remittances for Bolivia, as well as in microeconomic terms, because money sent by Bolivian migrants living in Argentina improves the quality of life of recipient households. Furthermore, given the prevalence of immigrants coming from the rural areas of Bolivia – 59 per cent according to the 2011 INE Survey – remittances from Argentina have a positive effect on poverty reduction.

Chapter IV statistics indicates a significant presence of informal channels of remittances to Bolivia, and a lack of products and services in the formal finance sector for using such money productively. In other words, there is great untapped development potential in this South–South corridor.

5.1.1 Cost of Remittances and Financial Literacy

The lack of productive channeling of remittances is coupled with high transfer costs and little transparency in terms of fees and exchange rate margins. In addition, there is a certain level of complexity in the remittance business schemes used by entities that have no BCRA authorization to operate with foreign currency.

Field research clearly shows the need to design and implement financial education plans for migrants, differentiated by gender and, given the occupational concentration of Bolivians in Argentina, targeted particularly to the textile and agriculture sectors.

Providing migrants with additional information on the different options they have for sending money to their country of origin, and the relative costs thereof, could be a first step in migrants' financial education. This information should be conveyed by organizations that migrants trust. It is important to underscore the need to design financial education packages for both remittance senders and recipients. Furthermore, the modules should include a gender approach and bear in mind, among other factors, the differences between urban and rural areas.

Follow-up actions in financial education should provide useful information, accessible and made available to remittance senders in a timely manner, and should train senders as financial consumers, aware of their rights and obligations, providing them with basic tools to guarantee their financial independence. These follow-up actions would lead to identifying mechanisms that will make it easier for Bolivian migrants to understand savings and investment-related products and services linked to remittances.

Almost all surveyed and interviewed Bolivian migrants lack adequate financial education, which prompts them not to use banks much and to become a source of abuse vis-à-vis remittance service providers that are not transparent when indicating the costs for sending remittances. As regards the use of banks, the sample shows that the path towards a productive use of remittances through formal channels needs time and interventions at the cultural level, starting, for instance, with workshops for specific groups of the Bolivian community, who were more open to the possibility of being trained and formalizing their money transfers to Bolivia.

5.1.2 Regulatory Frameworks, Microfinance and Remittances

Despite regulatory limitations, MFIs operating in the Argentina–Bolivia corridor are the most interested in bancarizing remittance senders and recipients, since they could link remittances to their credit products.

The legal and regulatory framework forbids Argentine MFIs from capturing deposits; in principle, only one MFI in the market, Cordial Microfinanzas, could actually serve all the financial needs of the migrant niche. In fact, Cordial Microfinanzas, created and controlled by Banco Supervielle, could propose a range of products indicated by surveyed migrants through Banco Supervielle, which can capture savings and offer migrants the chance to open savings and/or checking accounts.

MFIs are, overall, the ideal platform for providing transnational financial services given their experience with and proximity to the migrant market niche, such as the cases of Banco Sol, Banco FIE and Prodem FFP in Bolivia; and, in Argentina, the three MFIs that make up one sub-sample of this study: FIE Gran Poder, Cordial Microfinanzas and OMLA.

5.1.3 Informality

The great informal nature of the Bolivian community's economic and financial life in Argentina stems from the labour market's informality and the scant trust they have in the formal financial system, after the 2001–2002 bank crisis. Such informality accounts for the difficulties in carrying out the survey and interviews with the remitters, which is an important conclusion to highlight for the design of future programmes with Bolivian remittance senders and recipients. In the design of the latter, the key issue will be the beneficiaries' trust, a variable that can only be gained through contacts and time-consuming efforts, particularly in the agriculture sector and in those activities aimed at familiarizing migrants with the (micro)financial system. Vis-à-vis these dynamics, it is necessary to establish a dialogue and strengthen institutional relationships with the financial institutions and MFIs that already have Bolivian employees or clients, or that operate in areas with a high density of Bolivian workers, so that they are directly or indirectly known to users of new remittance-related financial services.

5.1.4 Productive Use of Remittances

A productive channeling of Bolivian migrants' remittances by increasing their level of bancarization would lead to greater employment formalization in Argentina, considering that Bolivian communities have traditionally had a high percentage of unregistered wage earners, who carry out their activities within a framework of social vulnerability. Indeed, the incorporation of migrants into the financial system is a great tool to formalize the status of many unregistered micro-entrepreneurs and, at the same time, it is an efficient tax collection strategy for the Argentine public administration, capable of creating a virtuous circle providing benefits to migrants, their families and the economy at large.

5.1.5 Use of Remittances by Recipients

Regarding the use of remittances by recipients in Bolivia, consumer-related information in Chapter IV has clearly presented the sectors that are very important for Bolivia's development, such as education (12%) and health (17%). In this regard, it must be underlined that the data was not checked through surveys and interviews in Bolivia. Therefore, just like in other contexts, one should not overlook the possibility of there being a gap between the intention of remittance senders and the actual use of remittances by recipients.

On the other hand, it is essential to support mechanisms aimed at a productive channeling of remittances, because there is a "latent" need for linking these flows to investment opportunities or economic plans of return, turning them into catalysts of local development. This need can be called “latent” because Bolivian migrants do not usually have the appropriate tools and knowledge to identify or meet this need.

5.1.6 Analysis of Other South–South Corridors

It is also worth underscoring that the study has become an easily replicable theoretical and empirical base for analysing other remittance corridors in South America, for instance, Argentina–Paraguay, Argentina–Peru and Venezuela–Colombia. As regards intraregional flows, these three corridors are the most significant in the region.

Finally, it is worth highlighting that this study is part of IOM activities in the field of migration and development, and is also linked to crosscutting topics of IOM action such as gender equality and the fight against trafficking in persons and smuggling of migrants. These issues cut across all direct and indirect effects of the productive channeling of remittances, from bancarization to reducing the level of informal economy. Admittedly, greater formalization of the economy comes across barriers, such as the conditions of coercion and servitude of many migrants working in the Argentine agriculture and textile sectors. Consequently, long-lasting results can only be obtained through a holistic view that includes activities from different approaches, aimed at eliminating such barriers.

5.2 Guidelines for Public Policy Proposals

As IOM Director-General William Lacy Swing recalled in his recent contribution to the collection of United Nations Conference on Trade and Development (UNCTAD) papers on “maximizing the development impact of remittances”, IOM was one of the pioneer international organizations in mainstreaming remittances into migration policies and development planning.[80] In line with this vision, the study concludes that the only way to foster development through what the Director-General calls “remittances plus” is to work within a context of collective action at different public and private levels.

In order to increase the productive uses of remittances to create positive externalities in terms of development, it is necessary to ensure an active involvement of governments, the private sector, international technical assistance and, clearly, of migrants and their associations. The successful Mexican programme “3 x 1” is a good example of the possibilities for creating a multiplying effect through public and private actions, to achieve a greater impact of remittances on local development.

The results of this study suggest two broad areas of public policies as regards remittances, based on the findings in the Argentina–Bolivia corridor, although they could be applied overall to remittance senders working in Argentina:

1. A specific financial education policy for migrants, to increase their financial inclusion and their family assets by productively using remittances.
2. A policy on the remittance market transparency and control in Argentina, leading to a reduction in transfer costs and to curbing abuses suffered nowadays by Bolivian migrants living in Argentina when they send their savings to their homeland.

The first public policy area – financial education – should be conceptualized through the design of methodologies and specific themes targeted to a migrant audience. As it was already pointed out in the conclusions, a financial education policy for migrants should not be limited to the mere provision of data and information so that they can identify the cheapest and most transparent remittance services. Financial education is a more overarching notion that encompasses a broad spectrum of financial tools for migrants to achieve their financial independence.

Financial education is a strategy for migrant empowerment because it provides migrants with basic principles and notions on topics such as budgeting and savings, credit and investments, allowing them to improve their living conditions and those of their families. Financially educated migrants become informed remittance service consumers, thus setting the bases for establishing financial inclusion processes. Furthermore, new financial tools made available to migrants create virtuous circles that lead to reducing costs for sending remittances, together with a parallel increase in the use of formal financial systems.

An effective financial education policy should support the establishment of micro- and small businesses, and promote savings among recipient families. Important complementary elements in this kind of policy could be fiscal credits for starting up productive activities and supplementary social programmes for migrants' communities of origin.

When designing a financial education policy, special attention should be paid to gender issues related to the transfer and use of remittances, in particular in those cases of productive investment aimed at starting a micro-business within the community of origin. Indeed, it is worth recalling that since 2004, IOM and UN-INSTRAW have been working on a gender approach to remittances. This approach is essential for achieving equitable and sustainable development, since the role of women in sending or managing remittances can bring about transformations in gender relationships and, overall, it can promote social and economic changes.

The second proposed public policy area focuses on reducing the costs that Bolivian migrants in Argentina must pay to send their remittances. As in the case of a financial education policy, the guidelines proposed herein should be considered from a more general standpoint, capable of reaching out to all migrant communities living in Argentina. Indeed, reducing the costs of remittances sent by Bolivians would translate into a policy that aims at having, as a whole, a more transparent remittance market in Argentina. For this purpose, it is necessary for remittance senders to have appropriate information on the costs of remittances, and the different characteristics of the available remittance services.

The first sphere of intervention of a public policy on market transparency is the legal and regulatory framework, which has a significant impact on determining the costs for sending remittances. This study proposes some combination of the following proposals in the belief that they would all represent specific opportunities for the legal empowerment of migrants:

- The possibility to freely send and receive remittances should be guaranteed up to a total amount of one minimum salary, against the mere submission of valid identification documents.
- Banks should be obliged to implement a system for sending and paying remittances by using credit/debit cards and savings accounts.
- Total fees that international remittance service providers can charge should be regulated.
- Remittance service providers should be forced to apply official exchange rates, and a control system should be implemented to keep a check on operators, identifying abuses and imposing severe fines should a different exchange rate be applied.
- MFIs should be included in the legal and regulatory framework on remittances to be able to regulate their participation in money transfers at the international level, thus increasing market competition and reducing the costs for sending and paying remittances.
- Exclusivity clauses that operate under agency-type agreements between money transfer operators and regulated financial institutions should be reduced to a minimum, thus increasing access to remittance services and use of transnational financial products.

Furthermore, in order to increase the protection of remittance service users, it would be interesting to explore the possibility of introducing some form of self-regulation: for instance, a “customer protection charter” that should be visible on the premises of all remittance service providers. A potential model could be the Remittances Customer Charter adopted in the United Kingdom, and could be structured as an explanatory document for all services offered, including their main features and costs. This document would indicate all information to be provided to migrants before transferring money, and all data migrants should have in their remittance vouchers. In this manner, any costs linked to remittances would be publicized with enough transparency, as well as payment timelines, ways to submit a claim and the contact data of the remittance service provider.

Finally, in order to strengthen any public policy aimed at promoting market transparency and the reduction of remittance costs, this study proposes the creation of a Web page for intraregional corridors in which Argentina is the remitter country. If migrants in Argentina had this kind of tool at their disposal, they could easily evaluate the different options on the market to send remittances, compare prices and the characteristics of different alternatives.

Following the example of the *Envía Centroamérica* initiative supported by the MIF, the World Bank and CEMLA, a new Web portal could be promoted where migrants from Bolivia and other South American countries living in Argentina could find information free of charge on fees, exchange rate margins, transfer times, points of payment, and other things. Considering the resources necessary to promote this kind of initiative and maintain the information provided up-to-date, this proposal would only materialize with an alliance of international and national actors interested in creating a new *Envía Suramérica*, which would be the first Web portal exclusively dedicated to South–South remittance corridors.

ENDNOTES

*The official name of the country is the Plurinational State of Bolivia. In order to facilitate reading, this report will use Bolivia.

1. This research work was carried out from May through November 2012. Data and estimates included in the study were updated as of November 2012.
2. Greater Buenos Aires (GBA) comprises the Federal Capital City of Argentina and 24 districts of Buenos Aires Province. Greater La Plata is the area surrounding La Plata City, capital of Buenos Aires Province, which includes the districts of La Plata, Ensenada and Berisso.
3. See, for instance: B. Ghosh, *Migrants' Remittances and Development: Myths, Rhetoric and Realities*" (Geneva, IOM; The Hague, The Hague Process on Refugees and Migration, 2006); D. Ratha, "Workers' remittances: An important and stable source of external development finance", in: *Global Development Finance 2003: Striving for Stability in Development Finance* (Washington, D.C., World Bank, 2003), pp. 157–176; R.H. Adams and J. Page, "Do international migration and remittances reduce poverty in developing countries?" *World Development*, 33(10):1645–1669 (Washington, D.C., World Bank, 2005); and P. Acosta, C. Calderón, P. Fajnzylber and J.H. López, "Do remittances lower poverty levels in Latin America?" in: *Remittances and Development: Lessons from Latin America* (P. Fajnzylber and J.H. López (eds.)), (Washington, D.C., World Bank, 2007), pp. 87–132, available from http://www.oecd.org/dev/americas/42716118.pdf.
4. See, for instance: R.H. Adams, "The determinants of international remittances in developing countries", *World Development*, 37, 93–103 (Washington, D.C., World Bank, 2009).
5. C. Stefoni, "Migración, remesas y desarrollo", *Polis*, 30 (2011), available from http://polis.revues.org/2389.
6. See: A. Canales Cerón, "Remesas y desarrollo en América Latina: Una relación en busca de teoría", *Migración y Desarrollo*, 11, 5–30 (Zacatecas, Mexico, Red Internacional de Migración y Desarrollo Latinoamericanistas, 2008); and J. Martínez, "Notas sobre migración y desarrollo local, una mirada desde las remesas de los migrantes" (Santiago, Chile, Centro Latinoamericano de Demografia (CELADE); Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2006.
7. D. Ratha, see supra, note 3.

8. S. Melde and J. Schicklinski, “Remittances in the African, Caribbean and Pacific Countries”, Background Note No. 2, March (Brussels, ACP Observatory on Migration, 2011), p. 2; P. Weiss Fagen and M.N. Bump, “Envío de remesas entre países vecinos en América Latina”, in: *Remesas de Inmigrantes: Moneda de Cambio Económico y Social* (D.F. Terry and S.R. Wilson (eds.)), (Washington, D.C., Inter-American Development Bank (IDB), 2005), pp. 235–263.
9. D. Ratha and W. Shaw, *South-South Migration and Remittances* (Washington, D.C., World Bank, 2007).
10. Ibid.
11. Remittance-related statistics of the Central Bank of Bolivia (BCB) also takes into account the first of these three types of international transfers only.
12. R. Maldonado, N. Bajuk and M. Hayem, “Las remesas a América Latina y el Caribe durante el 2011: Recuperando el crecimiento” (Washington, D.C., Multilateral Investment Fund (MIF)–IDB, 2012).
13. Ibid.
14. R. Nogales Carvajal and C.A. Foronda Rojas, “Efectos de las remesas internacionales en Bolivia”, in: *En Busca de Oportunidades: Clases Medias y Movilidad Social*, Cuaderno de Futuro 28 (La Paz, Bolivia, UNDP, 2011), pp. 147–193. The database used by Nogales and Foronda was the National Social Stratification and Mobility Survey of 2009.
15. The BCB collects information from banks and other remittance service providers in the country; therefore, it must be noted that these statistics do not include transfers made through informal channels.
16. IMF data and statistics, see http://www.imf.org/external/data.htm, last updated 16 July 2012.
17. BCB data and MIF estimates, in: R. Maldonado, N. Bajuk and M. Hayem, 2012.
18. For FDI flows, see: ECLAC, La Inversión Extranjera Directa en América Latina y el Caribe (Santiago, Chile, 2012), p. 34. For ODA statistics, see: OECD, “Table 25: Receipts and selected indicators for developing countries and territories” (Paris, 2011), available from http://www.oecd.org/dac/stats/.
19. IOM Argentina, Perfil Migratorio de Bolivia (Buenos Aires, 2011), p. 36, available from http://www.iom.int/jahia/webdav/shared/shared/mainsite/media/docs/reports/Perfil-Migratorio-de-Bolivia.pdf.
20. Ibid.
21. R. Nogales Carvajal and C.A. Foronda Rojas, “Efectos de las remesas internacionales en Bolivia”, in: *En Busca de Oportunidades: Clases Medias y Movilidad Social*, Cuaderno de Futuro 28 (La Paz, Bolivia, UNDP, 2011), pp. 147–193.
22. The database used by UNDP is the National Social Stratification and Mobility Survey of 2009.

23. UNDP, *2010 Informe Nacional sobre Desarrollo Humano en Bolivia: Los Cambios Detrás del Cambio: Desigualdades y Movilidad Social en Bolivia* (La Paz, Bolivia, 2011).
24. CEPALSTAT database; accessed 26 September 2012.
25. According to World Bank data and estimates for 2010, remittance flows in these three South–South corridors are as follows: Venezuela–Colombia, USD 971 million; Argentina–Paraguay, USD 305 million; Argentina–Bolivia, USD 244 million.
26. IOM, *Perfil Migratorio de Argentina 2012* (Argentina, 2013), available from http://www.iom.int/files/live/sites/iom/files/pbn/docs/Perfil-Migratorio-de-argentina-2012.pdf.
27. Pursuant to the explanation provided in the Introduction, the reference area for the field research presented in Chapter IV includes Greater Buenos Aires and Greater La Plata.
28. In the period January–May 2011, remittances from Argentina to Bolivia were USD 84.1 million, while in the same period in 2012, total flows amounted to USD 59.6 million.
29. BCB data, reported in: R. Maldonado et al., *Programa de Mejora de la Información y Procedimientos de los Bancos Centrales en el Area de Remesas: Informe de Bolivia* (Mexico City, Centro de Estudios Monetarios Latinoamericanos (CEMLA, Centre for Latin American Monetary Studies)/MIF–IDB, 2010), p. 82, available from http://www.cemla-remesas.org/informes/informe-Bolivia.pdf.
30. P. Weiss Fagen and M.N. Bump, "Envío de remesas entre países vecinos en América Latina", in: *Remesas de Inmigrantes: Moneda de Cambio Económico y Social* (D.F. Terry and S.R. Wilson (eds.)), (Washington, D.C., IDB, 2005), pp. 235–263.
31. The other two South–South corridors analysed are Nicaragua–Costa Rica and Haiti–Dominican Republic.
32. Circular migration is a concept that includes temporary migration and long-term migration. In this case, circular migration refers to Bolivian workers that stay repeatedly for a limited period in Argentina, as well as to Bolivians residing for long periods and returning repeatedly to Bolivia. For additional information on circular migration, see: www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/microsites/IDM/workshops/global_labour_mobility_0809102007/background_paper_es.pdf.
33. This conclusion is confirmed by the 2011 Household Survey of Bolivia's INE, which shows that over 59 per cent of households receiving remittances and having family members in Argentina live in rural areas of Bolivia. See infra for the analysis of the 2011 Household Survey results.
34. Weiss Fagen and Bump, 2005.

35. The sample of the 2011 Household Survey focused on the nine Departments of Bolivia, and included visits to 9,480 households, divided into 790 primary sampling units.
36. The INE first introduced remittances as an object of analysis in 2008. Save for 2010 when no research was carried out, the 2009 and 2011 surveys included the remittance module, although the number of questions on the topic was reduced between 2009 and 2011. IOM's Migration Profile for Bolivia 2011 mentions several data on remittances collected in the INE's 2008 and 2009 surveys. For additional information, please see: IOM Argentina, Perfil Migratorio de Bolivia (Buenos Aires, 2011), pp. 49–57, available from http://www.iom.int/jahia/webdav/shared/shared/mainsite/media/docs/reports/Perfil-Migratorio-de-Bolivia.pdf.
37. Despite the fact that this study does not apply any specific gender approach, Chapter IV shows a few differences between men and women in sending and receiving remittances, along the line of other research work carried out by IOM and the United Nations International Research and Training Institute for the Advancement of Women (UN-INSTRAW).
38. As regards the productive channeling of remittances, IOM uses a gender approach that translates into women managing the financial resources. IOM holds financial education courses that allow migrant women, as well as those who returned and those who remained in their country of origin to be trained so as to improve their decision-making capability in the use of remittances, which contributes to their empowerment. For additional information on IOM gender- and remittance-related activities, please see: "IOM fact sheet: Gender, migration and remittances", available from http://www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/published_docs/brochures_and_info_sheets/Gender-migration-remittances-infosheet.pdf. Also, see: IOM Colombia and UN-INSTRAW, Género y Remesas: Migración Colombiana del AMCO hacia España (Bogota, 2007), available from http://www.oim.org.co/trata-de-personas/1373-genero-y-remesas-migracion-colombiana-del-amco-hacia-espana.html; and IOM and UN-INSTRAW, Survey on Remittances 2007: Gender Perspectives, Working Books on Migration 24 (Guatemala City, 2007).
39. Roberto H. Crouzel, Pablo J. Torretta and Tatiana De Tommaso, Attorneys-at-Law with the law firm Beccar Varela helped in drafting this section on the legal and regulatory framework in Argentina.
40. Article 4, Law No. 24144, pursuant to Article 2 of Law No. 26739 amending the BCRA Charter.
41. The Foreign Exchange Regulatory Framework in Argentina is embodied in Decrees 1570/01, 1606/01, 260/02 and 616/05, Resolution No. 365/05 of the Ministry of Economy and Production of the Argentine Republic, and Communications "A" 3471, 4359, 4377, 5330 of the BCRA, and their supplementary and amendatory provisions.

42. Decree 1570/01, Article 2(b).
43. BCRA, Communication “A” 4359, paragraph 1(d).
44. Article 3, Law No. 24144, pursuant to Article 2 of Law No. 26739 amending the BCRA Charter.
45. Article 4, Law No. 24144, pursuant to Article 2 of Law No. 26739 amending the BCRA Charter.
46. For their incorporation into the framework of Law No. 1488 on Banks and Financial Institutions, ESPs have been considered financial auxiliary service companies (*empresas de servicios auxiliares financieros*).
47. R. Maldonado et al., *Programa de Mejora de la Información y Procedimientos de los Bancos Centrales en el Area de Remesas: Informe de Bolivia* (Mexico City, CEMLA/MIF–IDB, 2010), pp. 1–83, available from http://www.cemla-remesas.org/informes/informe-Bolivia.pdf.
48. Article 16 (Agents), Resolution No. 121/2011.
49. Powers and duties of the UIF are set forth in Decree No. 24771.
50. Hereafter, the “Argentine remittance service provider”.
51. Hereafter, the “Bolivian remittance service provider”.
52. The currency that a resident keeps abroad is considered “freely available” provided it does not stem from the export of goods and/or services from Argentina, or from the disbursement of loans, or any other transaction linked to a settlement obligation. These funds can be used without any particular restrictions, save that they cannot be utilized to settle obligations for which the exchange regulations have set forth mandatory requirements or terms (e.g., these funds cannot be used to settle financial debts abroad before fulfilling a minimum term of permanence in the country).
53. Over and above that ceiling, the *Encaje* provision shall be applicable; see, infra, in sub-section 3.1.1.
54. Particularly at the time when the Argentine remittance service provider should inform its status of indebtedness abroad. (BCRA Communication “A” 3602 and supplementary)
55. Should this revenue not fulfil the pertinent requirements to be considered an exception.
56. Decree 616/05, Ministry of Economy and Production of the Argentine Republic.
57. OMLA S.A. is one of the three MFIs that participated in the field research of this study, cooperating with IOM in the survey and interviews with their Bolivian clients. See Chapter IV.
58. See, infra, in this section and in Chapter IV.
59. In the case of remittances transferred through a currency exchange bureau, the total cost is the exchange rate margin.
60. The only tax collected on money transfers is VAT over the remittance fees charged by the service provider.

61. Exchange rates checked on BCRA website, http://www.bcra.gov.ar/, on 29 September 2012.
62. See Chapter I, Section 1.3.
63. R. Maldonado et al., *Programa de Mejora de la Información y Procedimientos de los Bancos Centrales en el Area de Remesas: Informe de Bolivia* (Mexico City, CEMLA/MIF–IDB, 2010), pp. 1–83, available from http://www.cemla-remesas.org/informes/informe-Bolivia.pdf.
64. Ibid. (Translator's note: "Encomenderos" are individuals or groups of individuals who earn money delivering remittances personally to recipients living in the migrants' home countries.)
65. Ibid.
66. Ibid.
67. It must be pointed out that most of the Bolivian remittances from Argentina are money generated in the informal labour market, on which no taxes have been paid.
68. Fourteen million people generating over 40 per cent of Argentine GDP live in the Buenos Aires Metropolitan Area. See Ministry of Production, Science and Technology, Buenos Aires Province, http://www.mp.gba.gov.ar/srei/inversiones/razones_para_invertir.php, consulted on 26 May 2012.
69. As pointed out in Chapter I, the 2010 INDEC census showed that of the 345,272 Bolivians in Argentina, 55 per cent live in Greater Buenos Aires, which is the area comprising the Federal Capital city and 24 districts in Buenos Aires Province. In Buenos Aires Province – outside Greater Buenos Aires – there are 33,635 Bolivians, of whom over 30 per cent live in La Plata.
70. Depending on the size of the population, the frequency of migration and the resources available, samples for remittance-related research generally range from 1,000 to 6,000 households. In this case, according to the 2010 Census data, there are 224,390 Bolivians in the Federal Capital city and Buenos Aires Province (65% of Bolivians living in Argentina), of whom 49.5 per cent are men and 50.5 per cent are women. Therefore, the sample of 200 migrants accounts for 0.09 per cent of this population.
71. http://www.mixmarket.org/mfi/country/Argentina#ixzz2Aho0GBEO.
72. The breakdown of the sample by occupation is based on the criteria used for selecting the migrants who would be surveyed, in which the distribution of the Bolivian community in the Argentine labour market was taken into account.
73. Few husbands receive remittances sent by women because both spouses usually live in Argentina.
74. Among the main recipients, the category "other relatives" has not been included.
75. It is important to bear in mind that the field research does not include a sample of recipients in Bolivia to verify the findings on the use of remittances.
76. Financial education of migrants refers to the set of basic tools of financial knowledge needed to achieve their economic independence.

77. In the statistics presented in Figure 21 on information provided to migrants before remitting, the cases of *encomenderos* and travelers are not included since these are informal channels; neither are exchange bureaus considered, as in this type of transfer, the total cost for migrants is only related to the exchange rate margin (there is no fee component in the total cost).
78. In Figure 23, "other combinations" refers to some combinations of proposed products, including productive loans for micro-businesses and loans to finance the education of the children that remained in Bolivia, which account for less than 1 per cent, 2 per cent or 3 per cent.
79. This research work does not include a sample of recipients; therefore, statistics on the economic plans of remittance senders cannot be supplemented with information from family members living in Bolivia.
80. W.L. Swing, "Remittances as an integral part of migration policies", *Maximising the Development Impact of Remittances* (Geneva, United Nations Conference on Trade and Development, 2012), pp. 25–27. Available from http://unctad.org/en/docs/ditctncd2011d8_en.pdf.

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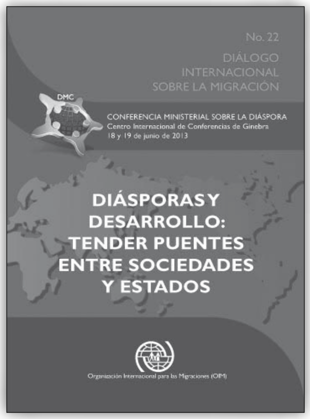

The Diaspora Ministerial Conference held on 18–19 June 2013 is a landmark in the history of the global debate on migration and development. Amid the flurry of international events leading up to the 2nd United Nations High-level Dialogue (HLD) on International Migration and Development in October 2013, the diaspora conference marks the first and only gathering of high-level politicians from all parts of the world responsible for diaspora and their engagement in the development of their countries of origin. International Organization for Migration (IOM) dedicated its International Dialogue on Migration in 2013 to the diaspora theme with the full support of its Member States, and with a view to contributing a diaspora perspective to the HLD 2013 and the post-2015 sustainable development agenda. IOM was well positioned to organize such a high-level dialogue in view of the fact that it has assisted States in creating the institutions and strategies to adapt to the new realities of a transnational world. The conference highlighted the importance of diasporas not only in closing the distance between societies, cultures and economies, but also in assisting in crisis and post-crisis situations. It encouraged governments to champion and engage diasporas at the highest political levels and mainstream diasporas in local, national and regional labour markets and development planning. Diasporas should also be included in any post-2015 development goal on global partnerships. Embassies and consulates need to be strengthened to provide outreach and services to diaspora communities, and business environments in the countries of origin need to be robust enough to attract diaspora investments or involvement in sustainable development projects to generate jobs and growth. More solid data are needed on the impact of national immigration, labour market and development policies on the behaviour of diaspora. By all accounts, the conference has set a new framework for global dialogue on diaspora. IOM has been requested to make the Diaspora Ministerial Conference a regular event.

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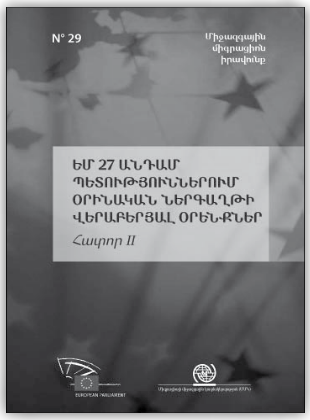

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South–South remittance corridors still remain a largely unexplored research area, despite the fact that for a few years already, international organizations, such as the International Organization for Migration and the World Bank, have been highlighting the importance of South–South migration and remittance flows. In South America, the Argentina–Bolivia corridor is the third most relevant South–South corridor in terms of annual volumes, after Venezuela–Colombia and Argentina–Paraguay.

This publication provides a diagnostic report on the access to and use of remittance services by Bolivian migrants in Argentina, showing the main obstacles and challenges faced to achieve a productive use of remittances. The study examines the legal and regulatory frameworks of remittance-related transactions, together with the sending process from Argentina to Bolivia, with its chain of intermediation and different money transfer schemes.

Field research was carried out through a survey and qualitative interviews with Bolivian immigrants living in Greater Buenos Aires and Greater La Plata, divided into two sub-samples of clients and non-clients of microfinance institutions. Research outcomes highlight a series of ways for policymakers and international organizations to facilitate the flow of South–South remittances, from a standpoint of progressive financial inclusion of migrants and their families.

This study provides key recommendations for public policies and actions aimed at maximizing the positive impact of remittances in terms of local development, focusing on two intervention pillars: financial education and transparency of the remittance services market.

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