



**International Migrant's Development Fund
Fondo Internacional para el Desarrollo de Migrantes
FIDMi**

**Testimony of the
International Migrants' Development Fund
(FIDMi)**

**Before
Subcommittee on
Domestic and International Monetary Policy, Trade and
Technology of the House Committee on Financial Services**

**Hearing:
*"The Role of Remittances in Leveraging Sustainable
Development in Latin America and the Caribbean"***

**Wednesday, March 7, 2007
2220 Rayburn House Office Building, Washington, D.C.**

FIDMi's mission is to "contribute to poverty reduction in transnational communities, through their engagement in economic and financial activities, education, advocacy and community reinvestment"

“The Role of Remittances in Leveraging Sustainable Development in Latin America and the Caribbean”

Mr. Chairman, Congressman Luis Gutierrez, Members of the Subcommittee on Domestic and International Monetary Policy, Trade and Technology of the House Committee on Financial Services. On behalf of the International Migrants' Development Fund (FIDMi), I would like to thank you for the opportunity to speak before you regarding “The Role of Remittances in Leveraging Sustainable Development in Latin America and the Caribbean”.

Before I continue with my testimony, I would like to provide you with a brief background of the International Migrants' Development Fund (FIDMi). FIDMi is a young independent not-for profit organization based in Washington, D.C., whose mission is to contribute to poverty reduction in transnational communities through their engagement in the formal financial system. FIDMi was founded in 2002 by a multidisciplinary group of community leaders, international and community development professionals, and finance experts concerned with the excessive costs of money transfer services, leverage remittances to improve the quality of living of immigrants and their families abroad and, creating a viable model for their insertion in the formal financial system.

FIDMi's development model consists in “one- stop affordable financial services” in partnership with Lafayette Federal Credit Union and other financial institutions in Central America, culturally appropriate, low-literacy financial literacy, advocacy and community reinvestment, particularly, capitalizing on the income generated as a result of our remittances project.

FIDMi's funding come from diverse sources such as Lafayette Credit Union, Washington, D.C., Mayors' Office on Latino Affairs, the InterAmerican Development Bank Solidarity Program, among others. FIDMi has not received funding from the Federal Government.

Doctor Manuel Orozco, Mr. Sergio Bendixen, the Inter American Development Bank and other institutions have actively research the impact of family and “collective remesas” to supporting community development in immigrants' communities of origin. My testimony instead will draw a few recommendations based the lessons and practices of our programs.

The context: Remittances and Migration

Remittances are intrinsically linked to labor migration. As you know, the vast majority of Latin American and Caribbean immigrants left their countries of origin due to, political prosecution, weak economic growth performance including, the increasing poverty and inequality in marginal urban and rural areas, the lack of access of the poor to receive financial services to build assets¹, among other factors.

In 2006, Latino and Caribbean immigrants sent over \$60 billion² in remittances, primarily from the United States. Migrants send an average of U.S. \$250-\$300.00, depending on the country, to their relatives and friends. The impact of remittances is such that for many countries is the most

¹ See Orozco, Manuel. Rural Finance Innovation Case Study. Remittances, the Rural Sector, and Policy Options in Latin America. Paper published at an International Conference on Best Practices: Paving the Way Forward for Rural Finance.

² Fedewa R., Orozco M. “Leveraging Efforts on Remittances and Financial Intermediation”. Intal ITD. Working Paper 24. December 2006.

important source of income and savings, and, exceeds the Official Development Assistance and has been an important engine for development, creating the basis to improving the quality of life of many poor communities.

FIDMi-“Semillas” (Seeds) Program: Lessons learned from program participants:

One of FIDMi core programs is Semillas (“Seeds”), an education program that focuses in financial literacy. This program main objective is to increase immigrants’ capacity to understand and to engage in the formal financial system. This is particularly important since large percentages of Latino immigrants (almost 50%), do not use the services of formal financial institutions and did not have access to these institutions while living in their countries of origin. In many Latin American countries, according to a study published by Dr. Orozco, two in ten have bank accounts.³

A workshop session of our education curriculum, discusses with program participants the impact of remittances at individuals family and countries or origin levels. Through these workshops sessions, our staff has been able to gather the following data: the vast majority of program participants, mostly women⁴, send money home to pay for *health, education and food expenses, to pay for old debts and, to pay the costs of investments such as, mortgage loans and micro and small businesses.*

Immigrants’ practices shows’ that: remesas is an important factor for development. Through investing in education, health, nutrition and business development, their families and children left behind quality of life significantly improves.

Our concern is raised by the following question: *“what strategies can be leveraged so Latin American and Caribbean families consider migration as an option and not a way-out of their countries?”*

Please, allow me to share a few areas in which remesas may be leveraged:

- One: Provide incentives to financial institutions to create services and products that can be accessed by poor rural and urban marginalized recipients of remesas.
- Two: Stimulate financial institutions receptors of remittances to partner with the third sector to provide, basic financial literacy in rural and marginalized communities, including in communities of indigenous and African heritages.
- Three: Engaging financial institutions and not- for profit organizations to provide financial education in primary and secondary schools. Education programs should be accompanied by allowing youngsters that receive remesas to open savings accounts.
- Four: Fomenting programs that provide micro-credit for women who are remittances recipients. Micro-credit for women will have a multiplier effect since they will help increase health, education and nutrition variables, for example and, are excellent money managers.
- Five: Encouragement of an environment in which a wide range of financial institutions, including

³ Fedewa R., Orozco M. “Leveraging Efforts on Remittances and Financial Intermediation”. Intl ITD. Working Paper 24 December 2006.

⁴ 90% of “Semillas” program participants conducted at partner community based organizations, are women.

credit unions promote their services in immigrant communities, leading immigrants to have access to credit and loans for investments in micro and small businesses and mortgage loans, for example, that could be paid in a form of remittance or directly into their accounts in financial institutions abroad.

- Six: Encourage and get to commit money transfer agencies, particularly, the largest companies, to dedicate at least 1% of their income in supporting sustainable projects, particularly, credit and, savings programs of smaller-medium scale impact (not through the largest banks). These programs should be tied to financial/money management education.
- Seven: Encourage a climate in which immigrants interested in returning “home” can open savings accounts in financial institutions in the United States. A portion of monies that are saved will be match at 3x1 for micro and small businesses in their communities of origin. Programs must be tied to a business education program.
- Eight: Discourage States of the Union to tax immigrants that send money to their countries of origin, since they (immigrants) are contributing to mitigate poverty in their communities of origin.
- Nine: Widening the funding stream for innovative programs and projects lead by the not for profit sector in the United States that reach out to immigrants whom are interested in investing in their home communities.

Thank you for the opportunity to share our experience and ideas to leveraging remittances for developing purposes. I welcome you to get to know FIDMi-Mi Tierra's' unique model program. At FIDMi we are committed to support members of our community to get off poverty through engaging them in the formal financial system and to foster the provision of affordable financial services, financial literacy and community reinvestment.