



In Brief: Remittances

From WOCCU's "A Technical Guide to Remittances: The Credit Union Experience"

What are remittances?

A remittance is a small funds payment sent across borders from one person to another. In today's common usage, it is the portion of an immigrant worker's earnings sent back to family members in his or her country of origin.

As the scale of international migration has increased in recent years, remittances have taken on greater significance: they connect families across borders, increase standards of living and contribute to the growth of country economies. Nowhere is this phenomenon more apparent than in Latin America and the Caribbean, where the World Council of Credit Unions (WOCCU), its member affiliates in their region and its money transfer operator partners are actively engaged in expanding the reach of remittance distribution and integrating unbanked receivers into the formal financial system.

Why are remittances important?

The World Bank estimates that workers' remittances amounted to \$93 billion worldwide in 2003.¹ Remittances, according to the Inter-American Development Bank, are "the single most valuable source of new capital for Latin America and the Caribbean ... more important for the region's economic and social development than foreign direct investment, portfolio investment, foreign aid or government and private borrowing."² Remittances account for over 10 percent of gross domestic product in Nicaragua, Haiti, Guyana, El Salvador, Jamaica and Honduras.³

WOCCU's experience with IRnet®

WOCCU first launched the International Remittance Network (IRnet®) with transfers directly from U.S. credit unions to credit unions in El Salvador and Guatemala. In 2000, WOCCU formed a strategic alliance with money transfer operator VIGO Remittance Corp. to access its substantial network infrastructure. WOCCU links national credit union organizations in other countries together with money transfer operators so that senders in the U.S. can send funds from 3200+ outlets in 38 U.S. states for distribution through credit unions.

On the receiving side, credit unions in six countries are distributing remittances using IRnet®. The national credit union organizations have tripartite contracts with WOCCU and participating money transfer operators. The national credit union organizations receive the electronic data transfers of the remittances from money transfer operator partners and distribute them to their member credit unions that in turn distribute the funds to remittance receivers. After transferring the funds to the credit unions, the national credit union organizations are reimbursed by the money transfer operators via deposits into a clearing account at an international bank.

¹ "Global Monitoring Report 2004: Policies and Actions for Achieving the MDGs and Related Outcomes," The World Bank, Washington, DC, April 2004.

² Inter-American Dialogue. "All in the Family: Latin America's Most Important Financial Flow," Report of the Inter-American Dialogue Task Force on Remittances, Washington, DC, January 2004, p.3.

³ Inter-American Development Bank. "Sending Money Home: An International Comparison of Remittance Markets," Washington, DC, February 2003.