



B I L A T E R A L R E M I T T A N C E C O R R I D O R A N A L Y S I S

The Netherlands–Suriname Remittance Corridor

Prospects for Remittances When Migration Ties Loosen

The Netherlands-Suriname Corridor for Workers' Remittances

Prospects for Remittances When Migration Ties Loosen

Study prepared for the World Bank and the Dutch Ministry of Finance

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1. Introduction

1.1. Why study remittances in the first place?

For a long time it was thought that an emigration of the more enterprising and educated people from developing countries would be detrimental to their economies. Such a 'brain drain' was expected to have among others the following effects:

- decrease in average level of education due to the loss of the higher educated
- lower productivity due to the loss of skilled workers
- decrease in economies-of-scale in skill intensive industries
- decrease in health public expenditures due to less state income
- lower public education expenditures
- increase in the price of technical services

However, more recently, it has been realized that such an emigration could also have positive effects on the home country. First of all, being abroad, emigrants establish networks through which information, ideas, or initiatives are exchanged. Moreover, they often transfer money back to their country of origin. They start investing back home by building houses in their home country for their pension. They send money home for the education of their relatives or to help out with health problems in the family. Thus, remittances are an important development factor for developing countries.

The World Bank listed the following economic advantages that financial remittances can have for the home country (World Bank 2006):

- poverty reduction. Remittances led to about 5 to 20 percent of poverty reduction in diverse countries
- increase in entrepreneurship and of investment in education and health
- increase in the creditworthiness of a country
- hence cheaper external borrowing and more access to capital
- growth effects

Whether remittances increase growth or not is unclear. Some argue that remittances increase growth because the increased inflow of money or capital into a developing country means additional funds available for investment in business and human capital. Others argue that the relationship between remittances and growth is unclear, especially if remittances are not used for investment but are used for consumption and lead to higher inflation.

Such remittances have acquired sizable proportions. The World Bank (2006) estimates for 2005 that remittances to developing countries amounted to 167 billion US dollars and have doubled within the last five years. Reasons for this are:

- the scrutiny of flows has increased since September 11
- changes in industries that support remittances (lower costs, expanding networks)
- improvement in data recording

- depreciation of the dollar, which increases the value of remittances denominated in other currencies
- growth in migrant stock and incomes

However, there are still a lot of unrecorded, informal remittances, which the World Bank estimates at 50% of the total sum. The reasons for this are:

- several countries do not report any data
- even formal channels are not reported
- or they are reported under other BOP entrances and cannot be filtered out or compared with other countries

It should be noted, however, that even today there are some negative aspects with regard to remittance as well. For example, possible moral hazard problems (Chami, Fullenkamp and Jahajah, 2003). People may become dependent on remittances and feel no need to work anymore. There is also mixed evidence of the effect of remittances on development. Giuliano and Ruiz-Arranz (2005), for instance, found out that remittances are used as a substitute for formal financial services when countries are less financially developed, which improves the development in these countries. For those countries that are financially well developed, they found no positive impact of remittances on development.

Considering the importance of remittances for the economies of developing countries, and for the relative lack of information on these money flows, it makes sense to study this phenomenon. By studying the size, motives, driving forces, prospects and effects of remittances on the economies of the home countries, we will get a better idea of the balance of costs and benefits of the brain drain from developing countries. This study aims at contributing a building stone for the benefit side. We will focus on describing the volume and growth of remittances; the senders, the sources of their incomes and how frequently they send; the recipients and how the received resources are put to use; and the various channels that are used for remittances, from the host to the home country. In particular, we will pay attention to how such transfers can be facilitated. What are problems and impediments, such as material (financial-technical) and non-material (e.g. risk, transparency, and trust issues) transaction costs? Also, we will focus on the role of regulation, both as a possible facilitating factor and as a hindrance. Finally, we will look at how such hurdles and costs can be reduced. We will do all of this for one particular case, namely remittances from the Netherlands to Suriname.

1.2. Reasons for studying the Netherlands-Suriname corridor

So far, the World Bank has completed several Remittance Corridor Studies, most recently the Canada-Vietnam Remittance Corridor (Hernandez-Coss World Bank 2005) and the US-Mexico Remittance Corridor (Raúl Hernandez-Coss World Bank 2005). The Canada-Vietnam one is insignificant and still at a nascent stage of shifting from informal to formal channels. By contrast, the US-Mexico corridor is substantial and at an advanced level of development. Several others are being investigated at the moment. Looking at the information already at hand here it would be interesting to investigate another corridor, so as to create a classification of remittance corridors. The Dutch-Surinamese corridor has some very specific traits, which distinguishes it from the corridors studied so far.

Why study the Dutch-Surinamese corridor?

Since Suriname used to be a colony of the Netherlands, there exists a long-term historic relation between the two countries. As a result of this relation, there have been a lot of people emigrating from Suriname to the Netherlands, in particular shortly before the independence in 1975. These Surinamese immigrants are relatively well integrated in Dutch society, and they face fewer barriers compared to other ethnic groups. Not only do they speak the Dutch language (which is also still the lingua franca in Suriname) and are they familiar with Dutch culture; they are also relatively highly educated, at least compared to other immigrants. This means that they are comparatively well off, have a lower unemployment rate than other migrants, and are capable of sending substantial sums of money home. Hence such remittances have become one of the most important sources of income for the Surinamese economy, also given the small size of the country, population, and economy. Indeed, as the study shows, remittances were more sizeable than Foreign Direct Investment and about four times as large as Development Aid in 2004. In addition, there also seems to be a flow of illegal income related to drugs trafficking. Hence Dutch attempts to fight drug dealing and money laundering affect flows and problems in this remittance corridor. Given the importance of remittances for the economy it may also be useful to try and say something about the future prospects. Is there a risk that this source of income for the country will dry up, as cultural and family ties of second and third generation Surinamese-Dutch will loosen? Or could this be offset by an increasing prosperity of that section of the Dutch population?

1.3. Research Questions and Structure of the Study

After having defined remittances (Chapter 2) in this study, we will try to answer the following questions, which coincide with the structure of the report.

- **HOW MUCH** is being sent (the volume), and how important is this category of income for the Surinamese economy? What is the percentage of GDP, what was the growth in the past, and what is the prospective growth? (see Chapter 3)
- **WHO ARE THE SENDERS? AND WHAT IS THE SOURCE OF THEIR INCOME.** We focus on individuals and households, rather than businesses or governments. How many Dutch-Surinamese send remittances, and how is this group differentiated? On first, second, and third generation? On young and old? On the various ethnic groups of the extremely multi-cultural Surinamese society? Are the senders migrant workers or resident workers or people with a Dutch passport? Does the money they send come from earnings from labor, from pensions and social security, from alimony? Or is it an incidental income from inheritances or lotteries, which consequently leads to only incidental remittances. How important is drug money? (see Chapter 4)
- **WHO ARE THE RECIPIENTS?** Family? Or perhaps even the sender himself, who invests in business or sends money to buy a house for his or her retirement? What are the characteristics of the receiving country? (see Chapter 5)
- **WHAT ARE THE GOAL, PURPOSE AND USES OF REMITTANCES?** For supporting the family, for special hardships or occasions such as funerals, weddings, sickness of family members, or is it investment, e.g. helping the family members to set up a business? (see Chapter 6)
- **WHAT IS BEING SENT AND HOW FREQUENTLY?** Money, or goods such as parcels, medicine, or cars? Do transactions occur regularly or irregularly, for short periods or long-term? Or are they incidental, because of a one-time source

(inheritance) or a one-time goal/need (special hardship, such as disease, disaster)? (see Chapter 7)

- WHAT CHANNELS ARE BEING USED TO SEND THE MONEY? We can distinguish formal and informal, legal and illegal. Which different stages or ‘miles’ can be distinguished? Which actors are involved at the different stages? (see Chapter 8 and 9 for the Netherlands and Suriname respectively)
- WHAT ARE THE VARIOUS TRANSACTION COSTS INVOLVED? What are factors that hinder or facilitate the use of these channels? In particular, what is the role of financial institutions and regulations? How could hindrances be reduced and transaction costs be lowered? (Chapter 10)
- WHAT ROLE DO REGULATIONS PLAY (see Chapter 11 and 12 for the Netherlands and Suriname respectively)
- WHICH POLICY RECOMMENDATIONS FOLLOW? HOW CAN A SHIFT FROM INFORMAL TO FORMAL TRANSFERS BE FACILITATED? (Chapter 13)

2. Definition and Types of Remittances

Remittances can be defined as ‘payments from individuals/households, who migrated from one country to another, back to their country of origin, and without direct material compensation’. This distinguishes them from payments from one country to another between organizations or states and income resulting from trade or development aid.

The IMF distinguishes three streams of monetary transfers under its definition of remittances in its Balance of Payments Statistics Yearbook. These are workers remittances, compensation of employees and other transfers, but sometimes also migrant transfers. There are collective remittances as well, sent by migrant associations to their home countries, but these are usually of minor importance.

The IMF defines these different types as follows:

Compensation of employees is defined in the IMF Balance of Payment Manual 5th Edition (BPM5) as:

“Comprising wages, salaries and other benefits (in cash or in kind) earned by individuals- in economies other than those in which they are residents-for work performed for and paid by residents of those economies. Included are contributions paid by employers, on behalf of employees, to social security schemes or private insurance or pension funds to secure benefits for employees. Employees, in this context, include seasonal or other short-term workers, (less than one year) and border workers who have centers of economic interest in their own economies.”

Workers remittances are defined in BPM5 as:

“Current transfers by migrants who are employed in new economies and considered residents there. (A migrant is considered a person who comes to an economy and stays, or is expected to stay, for a year or more). Workers remittances often involve related persons.”

BPM5 defines other current transfers as:

“Those transfers for distribution to relieve hardships caused by famine, other natural disasters, war, etc. and regular contributions to charitable, religious, scientific and cultural organizations. Also covered are gifts, dowries, and inheritances; alimony and other support remittances; ticket sold by, and prizes won from, lotteries; and payments from unfunded pension plans by non-governmental organizations ...social security contributions and ...social benefits.”

This categorization is not very systematic. In the case of ‘workers remittances’ the distinguishing variable seems to be who does the sending (employed workers); while ‘current transfers’ are characterized by the source (inheritances) or the goal or use (famine).

The logic in the IMF classification seems to be the regularity and frequency of the remittance sent. ‘Compensation of employees’ refers to workers who stay abroad for less than a year, a short period of regular remittances; ‘workers’ remittances’ come from workers who stay abroad permanently, allowing for longer periods of payments; the last category of ‘current transfers’ (lottery gains, inheritance, hardships) imply incidental payments. However, in the last category, the IMF includes both incidental sources of income (e.g. lottery gains) and incidental goals (e.g. disease, flooding in the home country). Thus we may criticize this typology, being based on a mixture of different variables. When including migrant transfers, the IMF includes parts of the capital balance in the definition, as migrant transfers take place when a migrant becomes a resident in another country and his or her net wealth is transferred to the new country of residence. This only once happening transferring of all assets and liabilities to the other country does not seem very appropriate (see Alfieri, 2005, and the next chapter)

It would be more systematic to develop a classification scheme, which distinguishes types of remittances according to the seven dimensions or variables listed below.

That is, to differentiate remittances by:

- 1) the sender
- 2) the recipient
- 3) the source of income
- 4) the goal or use
- 5) the utilized channel
- 6) what is being sent (money or goods)
- 7) the frequency of sending

In the more pragmatic definitions and typology, which we used for interviews, we made the distinction between:

- workers’ remittances, meaning money or goods sent from one Surinamese individual or household living in the Netherlands back to people or households in Suriname, (it is unimportant who the specific sender is, it could also be a temporary or retired worker)
- remittances for investment and business purposes, thus money or goods sent home for investment, setting up a business, or paying for houses (here we focus on what the money is used for and on long-term assets)

- remittances for pension purposes. Since a couple of years Dutch citizens can also receive their pension abroad. Consequently, many Surinamese immigrants went back to Suriname to retire and received their pensions out there. But also non-Surinamese-Dutch do so increasingly, in order to profit from the warm climate and lower prices. Old age homes could pop up soon in the country. Though it seems as if the sender in this case is not an individual, but the Dutch government and/or pension funds, the recipient has an individual right to this money, based on earlier residence and work in the Netherlands.

3. The volume of remittances sent

3.1. General problems of data and estimates

Remittances sent from one country to another are part of the balance of payments and one would expect to find them there. However, several problems occur. First, there is a general problem of how to measure them, even if detailed data are available. Alfieri et al (2005) for example show some of the problems that occur when using the balance of payments statistics of the IMF. Remittances from workers who send their earnings back home should usually show up in the current transfer balance, since they are flows on a current basis.

- When does a worker stop being an immigrant?

“Neither migration nor economic statistics recommendations provide any indication of when a resident “migrant” ceases to be such and becomes a resident “non-migrant”. This has implications on the classification of cross border transactions in the BOP framework” (Alfieri et al 2005).

Suriname is particularly interesting, since Surinamese people could choose whether they wanted a Dutch or a Surinamese passport following the independence. Hence there are Surinamese people of Dutch nationality both in the Netherlands and in Suriname. Remittances sent from one Dutchman of Surinamese origin to another Dutchman of Surinamese origin will be difficult to trace as Surinamese workers’ remittances. (see further under sender, migration data)

- Some transactions do not show up in the balance of payments at all

For example: the compensation of employees for a nonresident worker employed by a nonresident employer operating in a foreign country, since this is not a balance of payment flow at all, but would only occur in the national statistics.

Another example: if a Surinamese employer employs a Surinamese worker in the Netherlands for working at his Surinamese food store, this would be counted in the Gross Domestic Product of the Netherlands, but not appear in the Dutch balance of payments statistics. Of course it would not count as a remittance anyway, yet compensation of employees is one of the three categories that form total remittances in the statistics.

- Compensation of employees has to be computed from different parts of the balance of payments

Personal expenses of a Surinamese short-term guest worker in the Netherlands count as travel expenses; expenses for taxes and social security in the Netherlands count as current transfers. The actual flows sent back home are, hence, not recorded in the balance of payments, but have to be imputed (Alfieri et al 2005, p.4).

- Migrant transfers are not in the current account balance

Migrant transfers are flows recorded once, when a nonresident Surinamese worker becomes a Dutch resident worker. It is a one-time transfer of the net value of assets and liabilities of a household. Since this reflects the net worth of the migrants, it is part of the capital balance and not of the current account balance. As Alfieri et al (2005) state, “there are no actual transfers that take place. Migrants’ transfer should not be mixed with the concept of remittances, which is based on actual transactions between residents and non-residents”. However, as we will see below, many of the remittance data that we list do include migrant transfers.

3.2. Data collection in the Netherlands and information gaps

The Netherlands - usually known as a paradise for data, survey data and statistics - seems less remarkable when it comes to measuring remittances. Moreover, the collection of data has worsened over the last few years, due to reforms that aimed at more efficient (and less) data collection. These reforms mainly consolidate the budget and make reporting for companies and financial institutions easier and less of a burden.

One victim of the reforms was the balance of payments. Until 2002 the Dutch Central Bank was in charge of collecting data for both the capital balance and the current account balance. Every day banks extensively reported all cross border activities and firms sent in their export and import sheets. This former system of reporting existed for over half a century, from 1946 to 2002. Banks had to provide full overviews of each of their foreign accounts, including the opening and closing balance and every change (settlement) that had occurred in the reporting period. Additionally, the changes had to be accompanied by statements explaining the economic nature of the transaction. The system was referred to as the *closed* settlement system, to distinguish it from those in countries, where it was not required to account for each cross border settlement carried out through banks’ foreign accounts (the so-called open settlement systems). A ‘settlement’ is any change in the bank’s foreign account.

Since March 2003 the balance of payments statistics changed from a reporting to a survey system. Moreover, there was a splitting of survey data collection. The Central Bureau of Statistics - also called the Statistics Netherlands (Centraal Bureau voor de Statistiek, CBS) – now takes care of the current account, while the Dutch Central Bank DNB does the capital balance survey.

Table 5 of the Statistical Bulletin of the DNB summarizes the main sources for the current and capital accounts that are used in the new system (see table below). [An](#) English version with further explanations can be downloaded from the Internet at: www.dnb.nl/bin/doc/se2003m05_tcm12-36503

The following items are important for remittances:

Compensation of employees

The number of cross border employees, both resident and non-resident, is available in the statistics on cross border labor compiled by Statistics Netherlands. The data, which are collected yearly, only includes workers that take part in national social and health insurance plans. An additional source, mainly concerning the statistics on employment and wages, comprises data on both the number of non-resident workers and the related outflow of wages. The latter source, available at the end of each quarter, also covers all other workers. Both sources are combined to estimate incoming cross border wages and to extrapolate data for months not yet covered.

Investment income and transfers

Investment income has been integrated in the reconciliation model for the financial account and is hence collected by DNB. Current and capital transfers are partly included in the reporting profiles for the financial account, notably for the government and the DNB itself. Additionally, Statistics Netherlands provides data on other current transfers, including social security benefits and workers' remittances, which are estimated on behalf of the national accounts.

The CBS does not actually collect the statistics on current cross border activities, but estimates them on the basis of a yearly survey. This means there is no data collected with regard to transfers; there are only estimates based on samples given by entrepreneurs about their compensation of employees and salaries.

Table 3.1. An Overview of the building blocks for the current and capital accounts

	Building block	Source
Goods	Foreign trade statistics	CBS, monthly; intra-EU: Intrastat, survey; CBS, monthly; extra-EU: customs declarations
Services		
Special financial institutions	New survey for the financial account	DNB, monthly
Travel	Imports: Statistics on travel expenditures Exports: Statistics on tourist accommodation	CBS + commercial market research institution CBS quarterly survey
Government	Export: Register tapes Import: administrative sources	CBS CBS, from central government
Other	New survey on international trade in services	CBS, quarterly
Income		
Compensation of employees	Statistics on cross-border labor Statistics of employment and wages	CBS, yearly survey CBS, quarterly survey
Investment income	New survey for financial account	DNB
Current transfers		
Development aid, other	New survey for the financial account National accounts	DNB, monthly CBS, direct reports by government agents
Other transfers	National accounts	CBS, estimates
Capital transfers		
Migrants'	New survey for the financial account	DNB, monthly
Debt forgiveness	New survey for the financial account	DNB, monthly
Other	New survey for the financial account	DNB, monthly
Non-produced and non-financial assets	New survey on international trade in services	CBS, quarterly

Source: DNB, Statistisch Bulletin, Special Issue May 2003

Banks' reporting has declined drastically since the reform. Before, there were about 50,000 reported cases per year the DNB had to compile. Now this is about 2700. The DNB compiles the capital balance on the basis of surveys. This means banks do not have to report, not even amounts exceeding 50,000 Euro, since the reform.

The DNB supervises money transaction offices (Wet op toezicht geldtransactiekantoren). According to the Wet Toezicht geldtransactiekantoren they have to report monthly how much they receive at the cash register and how much they transfer. These reports do not include where the money comes from and where it goes. The DNB, therefore, does not know from which countries or to which countries the transfers flow. The money transaction offices should know this, yet they are not obliged to provide this information. The DNB is only interested in the data, which is an input for the supervision.

As a result of the reform the data situation for remittances today is as follows:

The CBS only has estimates of remittances from 2001 onwards, and only for 1. EU-countries, 2. countries of the European Monetary Union (the Euro-zone), 3. agencies of the EU and 4. non-EU-countries and international organizations as a whole.

In the future questions regarding workers' remittances will be included in a survey from the SCP (The Sociaal Cultureel Planbureau): a government research institute. This survey will be done among people from Turkey, Morocco, the Netherlands Antilles and Suriname. The results will only be available in four or five years from now, thus in 2010.

Beside the lack of data there also seems to be a communication gap between the two institutions and within the CBS. The DNB told us the CBS should have the data, while the CBS referred us to the DNB. Neither did we get an answer from the CBS on how detailed they do the estimates of current account data. The information we got about their method came from the DNB.

Therefore our conclusion is that there are no detailed data on remittances, at least since 2002 and also in the future one will have to rely on occasional survey studies. 1. There are no data; only estimates 2. There is no report of transfers via the banking system. 3. Money transaction agencies only report amounts coming in and going out, not the country of origin and destination. 4. For good data there has to be intense communication within the CBS and between the CBS and the DNB.

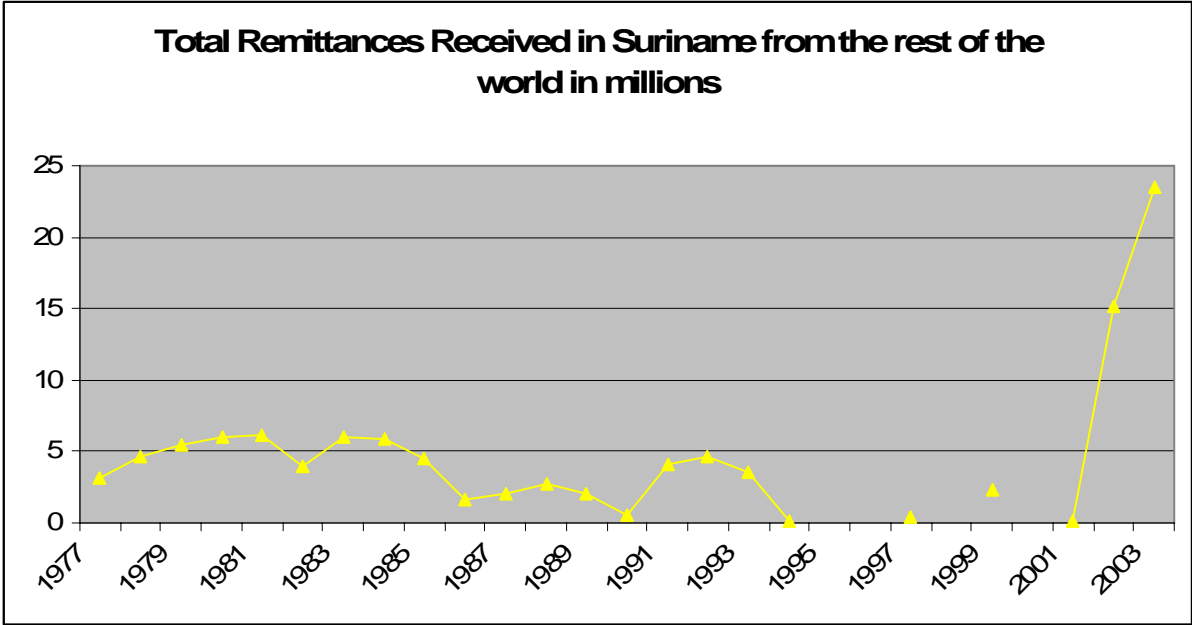
3.3. Amount of remittances being sent

The data we could find on remittances come from international sources. The World Development Indicators Online of 2003 lists workers' remittances receipts for Suriname (without compensation of employees or other transfers) totalling 200 million US dollars in 2001. The years before are filled with zeros, and in the period 1977-1980 the numbers look more like a game of roulette. The numbers are: 100 million US dollars in 1977, 600 million USD in 1979, 1.4 billion USD in 1980, and 400 million USD in 1981.

The next official statistic we found was from the IMF and lists total remittances Suriname received from 1977 until 2003. These remittances include workers' remittances, the compensation of employees and migrants' transfers. The latter are part of the capital balance and show the net wealth of Surinamese that emigrated. The amount shown does not sort the remittance receipts by country of origin. Hence, these data are not necessarily remittances sent by Surinamese workers working in the Netherlands, but also include remittances sent by Surinamese workers living in Brazil, British Guyana, the UK, the US or other countries.

Nevertheless, due to the large amount of Surinamese living in the Netherlands compared to other countries, the numbers are the best proxy we could find so far. It states that Suriname received 23.5 million dollars worth of remittances in 2003.

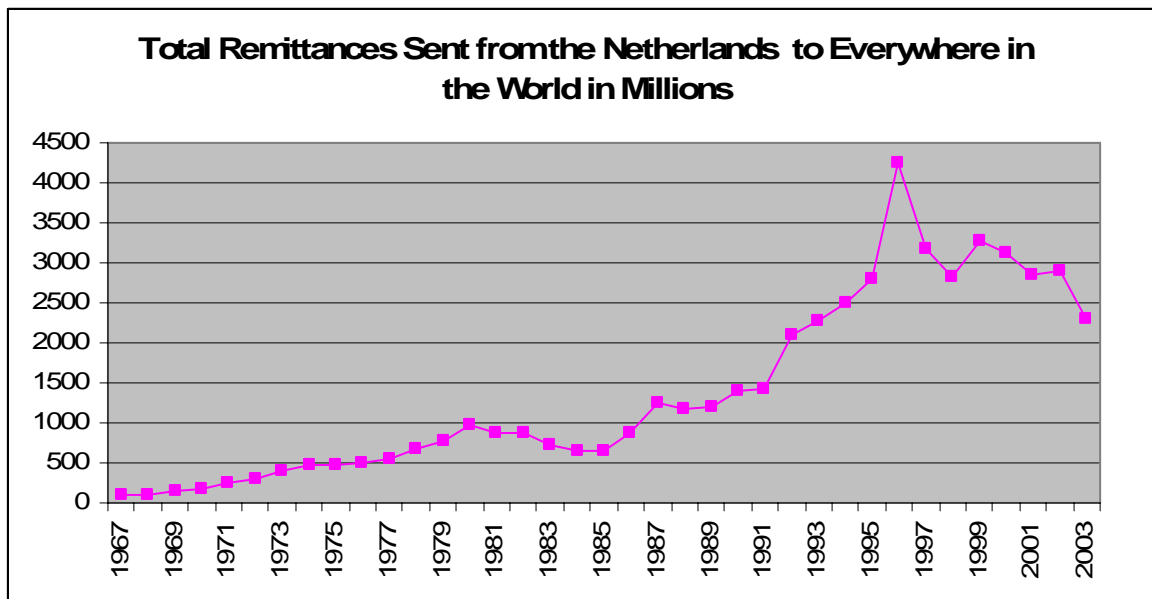
Graph 3.1.



Source: IMF, IFS Code 366, Total Remittances Received
Workers' Remittances + Migrants' Transfers + Compensation of Employees

The only publicly available official statistic that tells us about the sending country is the IMF statistic about remittances sent from the Netherlands. These remittances are not necessarily sent to Suriname. Many ethnic groups in the Netherlands send money to their home countries all over the world. Amsterdam, for instance, hosts almost all nationalities of the world. Remittances sent from the Netherlands amounted to 2.3 billion US dollars in 2003, which is about 5% of the Dutch GDP. Comparing these two tables, the Netherlands sends 1 out of every 100 euros to Suriname in remittances.

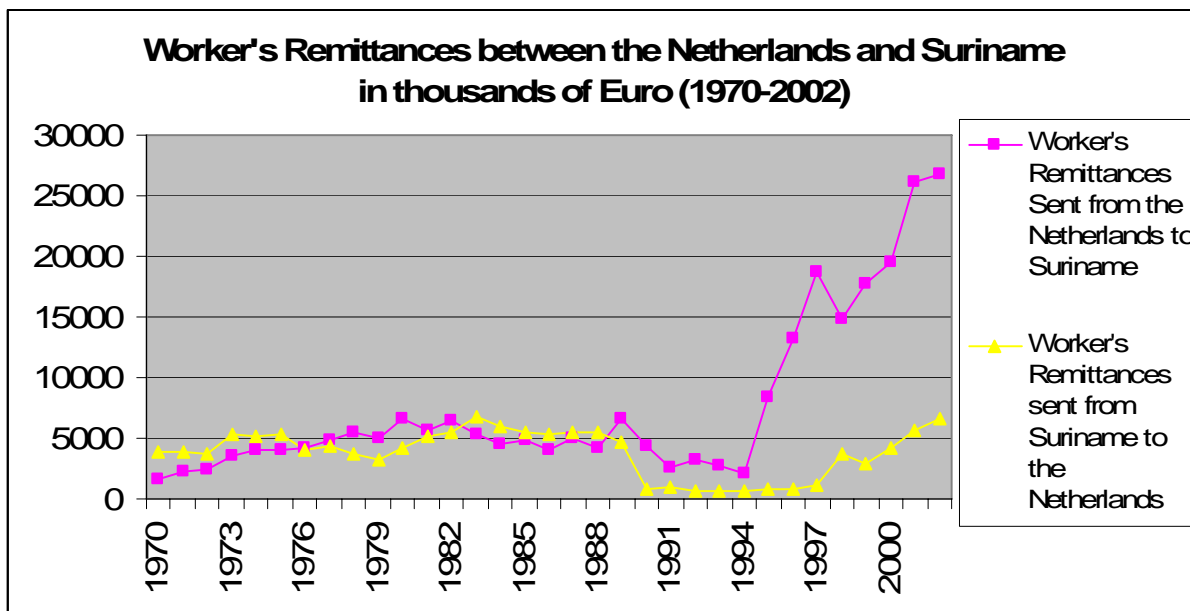
Graph 3.2.



Source: IMF, Total Remittances Sent (Workers' Remittances + Migrants' Transfers + Compensation of Employees)

The most reliable and specific data on remittances to and from Suriname come from the Dutch National Bank. According to their statistics, 26 million euros were sent in workers' remittances from the Netherlands to Suriname in 2002 and 6 million euros were sent from Suriname to the Netherlands. All provided statistics confirm the rising trend of/in??? remittances in both directions.

Graph 3.3.



Source: Dutch National Bank (DNB)

According to the Inter American Development Bank/Multilateral Investment Fund, foreign workers sent at least 175 billion dollars to their countries of origin in 2004. More than 45

billion dollars flowed from the rest of the world to Latin America and the Caribbean. Suriname received 51 million USD in workers' remittances from the rest of the world that year (Terry and Wilson 2005 p.4). This was the first year they started collecting more reliable data, combining official statistics and survey data. The Multilateral Investment Fund of the Inter-American Development Bank did several survey studies of remittance senders and recipients in the Americas. The data only include cash amounts and not transfers of goods, such as computers, cars and household appliances. However, they do estimate that these remittances in kind amount to about one quarter of the value of monetary transfers (Terry and Wilson, IABD 2005).

The IADB-estimates seem very low, considering that Suriname also receives remittances from other countries. Especially compared to the data of the Consumer Association Survey below and the last mile - where banks gave an estimate of the remittances received per year, which added up to 80 million euros - the sum of the IADB seems too low.

Finally, the Dutch Consumer Association (Consumentenbond) did a survey study on remittances in 2005. They did 1336 face-to-face interviews among foreigners from Turkey, Morocco, Suriname, the Antilles, Somalia and Ghana. They interviewed 243 Surinamese in four big cities (Amsterdam, Hague, Rotterdam and Almere). Since 1997 there is a foundation called Stichting IntEnt that helps Surinamese people in the Netherlands to set up companies in Suriname, as well as in other countries. In total the Consumentenbond contacted 65 of the 120 companies represented by Stichting IntEnt, of which only 28 responded. From the Consumentenbond survey one can learn about why Surinamese people choose particular channels to send their money home. Most of the questions refer to the formal sector, but some are also about the informal sector, for example about remittances sent by hawala or call-houses.

The Consumentenbond estimated remittances sent from the Netherlands to Suriname to amount to 115 million euros in 2005. The calculation may not have been very precise and will accumulate all errors made throughout the study. Yet due to our lack of data, the study does prove to be an important additional estimate of the remittances sent from the Netherlands to Suriname. The study reasons that if all people between 20 and 65 years old are remittance senders, remittance senders amount to 63.9 percent of the Surinamese population in the Netherlands. As of January 1, 2005, 210,506 of the 329,000 registered Surinamese had the working age. According to the interviews, 70.5 percent of these people sent money home (i.e. 148,407). If they sent, on average, 777 euros per person, this amounts to 148,407 times 777, equaling 115.3 million euros in remittances in 2004 (Consumentenbond, 2005).

The estimate of \$125 million/\$130 million seems to be a well-known unofficial figure of total actual remittances flowing to Suriname, which was quoted whenever we interviewed Surinamese experts on remittances. Not knowing where this figure comes from, we call it "the magic number" in the table below.

The results on the volume of remittances in the Dutch-Surinamese corridor are summarized in the table below. As can be seen, the only Dutch-Surinamese data on remittances stem from survey data. Their estimates range from 51 million USD received by Suriname to 145 million USD sent from the Netherlands. Thus, the data gap is still big. One reason is that the IADB-study did not include goods sent, which amount to about a quarter of remittances. But even if this had been included, the volume of remittances in the Dutch-Surinamese corridor would amount to 75 to 150 million US dollars. These figures include legal branches of the informal

sector, such as sending money through relatives. However, the illegal sector, including the return of drug money, is left out here.

Table 3.2. Available data on remittances from the Netherlands to Suriname

Data Source	Time Range Available	Type of Remittances measured	Amount of Remittances from last year available
World Development Indicators Online 2003	1977-2001	Workers' Remittances received from Suriname	\$200 million
IMF Balance of Payments	1977-2003	Total Remittances received from Suriname from rest of the world	\$23,5 million
IMF	1967-2003	Total Remittances sent from the Netherlands to the rest of the world	\$2,3 billion
IABD	2004	Workers' remittances sent from the rest of the world to Suriname	\$51 million
Consumentenbond	2004	Remittances sent from the Netherlands to Suriname	€15 million= \$145 million
DNB (The Dutch National Bank)	1970 –2002	Remittances from Netherlands to Suriname	€26 million= \$30 million
		Remittances received in the NL from Suriname	€7 million= \$10 million
Suriname Central Bank	NO DATA AVAILABLE		
Magic number circulating in Suriname	2005	total actual remittances flowing to Suriname	€125 million/\$130 million seems to be a well known unofficial figure
IMF	1990-2002	Total Remittances in % of GDP sent from the rest of the world to the Caribbean	12,8% of GDP
SWI Survey (Foundation for Scientific information in Suriname)	1993	Remittances Received	€3.6 million
SWI Survey	1999/2000	Remittances Received	€12.2 million
Own Survey	2006	Remittances	€8 million

		Received	
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A survey done by the SWI (Foundation for Scientific Information in Suriname) in 1993 showed that 8.5% of households received remittances. Out of a population of 403,800 (1) this would add up to 34,400 people. 34.4 thousand people each receiving an average of 11,346 Surinamese guilders (Sfl) would mean 389,168 million Sfl in 1993, equaling 3.6 million euros in monetary remittances.

According to the SWI 1999/2000 Survey¹, 12% of the population received remittances. Using the population figures from 2000² (435.8 thousand people), approximately 52,296 people would receive remittances. If the mean value of received remittances for 2000 was 25,212 Surinamese guilders, then the total Surinamese population should have received 12.2 million euros.

Using data from our own survey conducted in Paramaribo in 2006, we found that 47% of Surinamese households receive remittances. If we assume that 47% of the population receives remittances, then approximately 212,000³ Surinamese receive remittances. Of the interviewed people, 33% receive approximately €100 per year, 43% receive approximately €300 per year and 19% receive approximately €500 per year. Thus, remittances received by the population as a whole in 2006 would amount to around €8 million. Our own survey results in much higher estimates than the previous household surveys. Most likely this is due to an increasing trend and differences in estimates.

Comparing the findings of surveys conducted on both the sending (Consumentenbond, 2005) and receiving sides (Own Survey, 2006) of the channel, we found similar estimates for the number of people sending and receiving money (210,000 sending vs. 212,000 receiving). The difference in the amounts of remittances seems to stem from the fact that there was probably an underestimation on the receiving side, due to the manner in which the survey question was asked.

In addition, business transfers have been estimated. Since its inception in 1997, IntEnt has helped start 68 companies in Suriname. IntEnt got involved with the Consumentenbond survey because the NCDO (Nationale Commissie voor Internationale Samenwerking en Duurzame Ontwikkeling) asked them for data on their 68 entrepreneurs. IntEnt then conducted a survey of their 68 entrepreneurs to find out how much they have invested in their companies. The study of money transfer was completed among the companies in four countries: Curacao, Ghana, Morocco and Suriname. This figure was used as part of the total remittances sent to Suriname from the Netherlands in the Consumentenbond study. On average, the entrepreneurs had invested €80,000 in their companies. IntEnt also calculated what the businesses should have cost them over the years and it came to approximately the same figure.

With regard to forecasting the overall remittance flows to Suriname, we have seen an increasing trend in the past years, which is still likely to continue for some time. The number

¹ The data are from a research project of the Stichting Wetenschappelijke Informatie (SWI) conducted in 1978, 1993 and 1999/2000. The research project is Global Restructuring, Income and Urban Employment in Suriname (WISE).

² <http://www.library.uu.nl/wesp/populstat/Americas/surinamc.htm>

³ Using a population figure of 450,000 because estimates range between 400,000-500,000.

of Surinamese in the Netherlands forecasted by the CBS will still increase until 2035 (see section 4). This forecast, however, does not take into account the fact that Surinamese people may go back to Suriname. It only takes into account birth and death rates. However, we know from several interviews in Suriname that many of the first generation Surinamese plan to retire back in Suriname. This also means that they will receive their Dutch pensions in Suriname, which could maintain an increasing trend in money sent from the Netherlands to Suriname for several years. So even if the later Surinamese generations (those born in the Netherlands) have less strong ties to Suriname, money flows are likely to stay substantial for quite some time because of the earlier generation retiring in Suriname. Pension flows could counteract the possible decrease in remittances due to decreased ties with Suriname. Since recently the Dutch government allows pensions to be consumed abroad. This makes both Surinamese immigrants and Dutchmen move to the warm and cheaper country with the identical language. Especially AOWs - people receiving only a low pension - can profit from the lower energy costs in winter and from the ongoing lower price level in Suriname, while basically having a fully developed standard of living.

3.4. The significance of remittances compared to ODA and other types of income

The IMF records total remittances as a percentage of GDP and compares this to Foreign Direct Investments and Development Aid (ODA) receipts. This table only exists for worldwide remittances being sent to the Caribbean as a whole, of which Suriname only makes up a small part of course. Nevertheless, the data show that the importance of remittances is increasing, whereas that of development aid is declining. Furthermore, remittances are more significant than the other two foreign currency income components for Caribbean countries.

Table: 3.3.

Total Remittances, FDI, and ODA to the Caribbean (1990–2002; percent of GDP)			
	Remittances	FDI	Net ODA
1990	3,3	10,9	3,7
1991	3,2	6,6	2,6
1992	3,1	8,1	2,2
1993	4,9	8,8	1,9
1994	5,6	11,9	3,7
1995	5,8	8,7	3,9
1996	6,1	10,3	2,5
1997	6,4	16,3	2,4
1998	8	15,3	2
1999	8,6	13,5	1,5
2000	9,2	12,7	1
2001	9,8	13,5	1,9
2002	12,8	6,8	0,9

Source: IMF, Balance of Payments Statistics

For Suriname, remittances correspond to 6% of GDP and 424% of Development Aid. All of these ratios use the lower amount of remittances received as estimated by the IDB (\$51 million). The following graph shows the overwhelming importance of remittances compared to other indicators.

Table 3.4. Remittances as a % of common indicators⁴

General Indicators⁵	As a % of
Official Development Aid (ODA)	424%
Foreign Direct Investment (FDI) ⁶	246%
Gross Domestic Product (GDP)	6.4%
Tourism & Main Exports⁷	
Tourism (2003/2004)	1316%
Mining Products Exports ⁸	15%
All Agriculture Exports (2003/2004)	163%
Exports (f.o.b.)	6%

Source: de Vasconcelos (2006) from the Inter-American Development Bank

⁴ These estimates use the lower remittance figure of \$50 million.

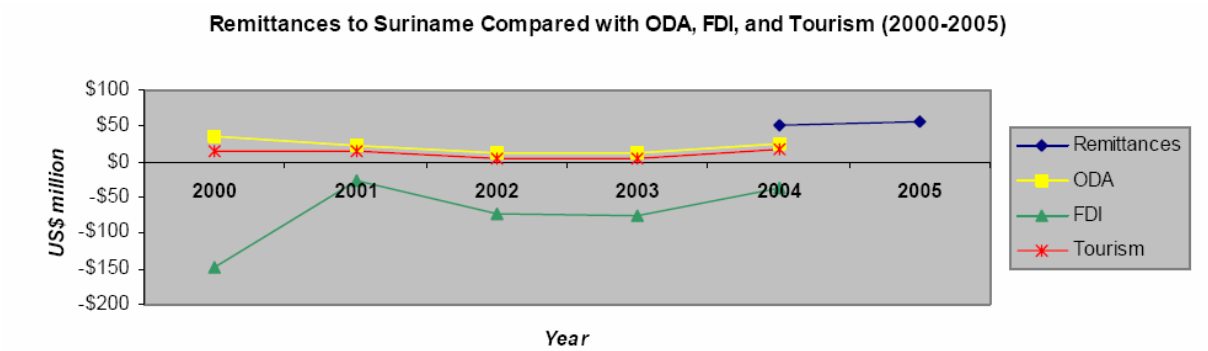
⁵ Source: ODA:2000-2003,OECD, *Geographical Distribution of Financial Flows to Aid Recipients 1999-2003*, 2004, OECD, DAC Online Database; FDI: IMF IFS; GDP: 2000-2003, Calculated based on IMF IFS, 2004, CEPAL, *Panorama de la inserción internacional en América Latina y el Caribe 2004, Tendencias 2005*.

⁶ FDI registered negative during the period..But in 2004 123 million are listed by the IMF.

⁷ Source: Tourism: IMF, Balance of Payments Statistics Yearbook 2004; All Agriculture Exports: FAO Statistical Databases, Agricultural Data; Exports: IMF IFS.

⁸ Source: World Trade Organization Database

Graph 3.4.



Source: de Vasconcelos (2006)

3.5. Illegal and informal flows

Informal flows of remittance can be both legal and illegal. Since remittances are transactions between private persons - between relatives - they are prone to underground banking. Underground banking (informal transfers) has the advantage that there is less danger that the money will disappear through corrupted official channels. One might trust his or her own ethnic group more than others in a country with a high degree of corruption.

According to Passas (1999) many Surinamese residents in the Netherlands send money back home. To do so they often use informal ways of transferring money through food shops, jewelry stores, and other small businesses. A report by the CRI (Central Detective Information Service) reports that criminal organizations also make use of this underground banking system and that some of the businesses are even controlled by criminal organizations (Boom, 1996)."

The informal sector in Suriname is estimated to consist of about 50% of the Surinamese economy. If this also applies to the money flows between the Netherlands and Suriname, the volume of informal remittances would double official estimates (see remittances summary table). Survey data usually take into account the informal flows, but not the illegal flows. This means that even survey estimates would increase to some extent if illegal flows were taken into account.

The IMF estimated worldwide underground money transfers to amount to about 100 billion US dollars (IMF Working Paper 05/126). For the Netherlands, underground banking is estimated to be 600 million euros per year (see NRC Handelsblad from 19.7.2005 Ondergronds bankieren. Veel geld voor terrorisme via Nederland). But how much of this will be sent to Suriname?

One way of approaching it is by looking at the most important source of Dutch-Surinamese illegal remittances: drugs, notably cocaine and XTC pills. Cocaine usually goes from Suriname to the Netherlands and XTC pills go the other way.

The latest reports show that the value of confiscated drugs at customs in the Netherlands amounted to about 1 billion euros. The most important drug smuggled from Suriname to the Netherlands is cocaine, stemming originally from Columbia. This is also the most expensive drug and the drug with the largest amount (15 tons per year) being confiscated. Money laundering through drug sales amounts to about 70%-80% of the proceeds from drugs. Since the confiscated amounts are only a part of what is really being traded, it can be assumed there is a substantial sum involved in the cocaine trade. A sum that will be laundered and might go back to Suriname, the corridor for Columbian drugs sales to the Netherlands.

When we compare the amounts confiscated by the Dutch customs - which can flow to and from any country in the world - with the amounts confiscated in Suriname, the prevalence of cocaine and XTC seems dominant. In 2001, 2510 kilos of cocaine and 61,000 XTC pills were confiscated by the Surinamese customs. Measured in Dutch average prices, this would amount to a monetary value of 15.3 million euros. Since the confiscated amounts do not

represent the total traded amount, we can see these estimates as the lower bound of the size of the illegal sector.

Table 3.5 Value of drugs confiscated at customs in 2004

Drug	Kilograms confiscated by Dutch customs (XTC, # of pills confiscated)	Price per kilogram (XTC, price per pill) in euro in the Netherlands	Total value of drugs confiscated by customs in the Netherlands in euro	Kilograms confiscated by Surinamese customs (XTC, # of pills) 2001
Cocaine	15.080	60.000	904.800.000	2510
XTC	108.000	4,6	496.800	61,000
Heroin	332	60.000	19.920.000	0.035
Marijuana	6.190	6.000	37.140.000	
Hash	10.205	6.000	61.230.000	
Total			1.023.586.800	

Sources: Drugs confiscated by customs: Beherrverslag Belastingdienst (2004), Prices: from Smekens and Verbruggen (2004), Unger et al (2006), Chapter 3

Another way of estimating the amount of illegal flows is by observing the amount of suspicious transactions. When transactions of money exchange offices exceed 2000 euros, they must report this to the MOT⁹. Banks must report transactions larger than 15.000 euros. At the MOT one can see the origin and destination of the money. As has been mentioned in another part of this study, Suriname is one of the top ten countries for suspicious transactions sent from the Netherlands. In 2004 1200 suspicious transactions were recorded, totalling a value of more than 5 million euros. (Unger et al 2006).

3.6. Change over time – until now and in the future

So far, remittances have been increasing. One of the reasons for this is that the wealth of Surinamese people in the Netherlands is rising. Therefore they send more money home, start building houses in Suriname, and invest more money in Surinamese businesses.

The IADB study (2005) showed that Latin migrants still send money home 20 to 30 years after leaving their country. However, the amounts become smaller over time. For the first ten years the spending is quite high, then over the next 20 years it drops considerably as the ties to the home country loosen. Some ethnic groups will send their money home even if they are unable to pay their own bills. ‘They count on me’ as for example Mexicans in the US and Creoles in Suriname would say. However, the third generation might not feel this obligation anymore.

There are two factors working in opposite directions:

- A factor decreasing the importance of remittances: the loosening ties of 2nd and 3rd generation migrants from Suriname. Exactly 30 years ago the big migration wave took place. An interview with the development company IntEnt showed that many believe

⁹ The Financial Intelligence Unit in the Netherlands.

that the first generation will return to Suriname, but that the second generation will stay in the Netherlands. However, it is too early to predict a decline in spending.

- Factors increasing the importance of remittances: more well-to-do Surinamese in the Netherlands; retirement back in home country (investments in houses, remittances of pension payments); increase in (drug related) criminal income.¹⁰Old people's homes are already in the works to take care of the elderly Surinamese returning home. IntEnt believes that approximately 50,000 Surinamese will return to Suriname in the next 5 years. The Dutch forecast on migrants predicts only several thousands (see under migrant data in 4.).

Whether the net effect of these countervailing factors means an increase or decrease of workers' remittances in the future cannot yet be foreseen.

4. Senders and sources of income

4.1. Surinamese-Dutch senders, and the Dutch-Surinamese historic relation

Migration to and from Suriname has a long tradition, beginning in colonial times. Originally it was immigration, not emigration, in Suriname. The Dutch acquired the colony from the British in 1665. A number of people from the Netherlands migrated, notably Sephardic Jews and protestant minorities. In addition the Dutch brought black slaves from West Africa to work on the plantations. After the abolition of slavery in 1863 the Dutch recruited plantation workers from elsewhere, notably British India and Java. Over the years also other minorities arrived, such as Chinese, Lebanese, and Syrians. The country now has a very diverse ethnic structure: 37% Hindustani (also known locally as "East Indians"; their ancestors emigrated from Northern India), 31% Creole (mixed white and black), 15% Javanese, 10% "Maroons" (descendants of black slaves that acquired liberty in the 17th and 18th centuries by escaping from the plantations to the interior), 2% Amerindians, 2% Chinese, 1% whites, and 2% others (CIA World Factbook, 2006).

Today, Surinamese in the Netherlands have the largest labor market participation of all immigrant groups, which comes close to that of the native Dutch (66%). This is approximately 33% higher than the labor market participation of Turks and Moroccans. There are also fewer non-working persons than in the other major immigrant groups. Furthermore, a large number of young Surinamese are studying in the Netherlands. The table below illustrates the differences between the major ethnic groups in the Netherlands with regard to the factors mentioned above.

Table: Labor market participation and working persons as a proportion of the population between the ages of 15-65 years, and non-working persons as a proportion of the labor force, by ethnic group and age

¹⁰ This return effect does not seem to be included in the Dutch forecast of the development of Surinamese immigrants till 2050 (see next chapter) which lists only a slight decline of Surinamese by about 6000 till then, most likely due to dying of the elder generation

Table 4.1. Labour Market Participation by Ethnic Group and Age

		15-24	25-34	35-44	45-54	55-64	Total
Turks	LMP	37	63	58	30	9	47
	W	28	51	47	22	(7)	37
	NW/LMP	23	20	19	27	(26)	21
Moroccans	LMP	35	63	51	35	16	44
	W	24	51	40	25	12	34
	NW/LMP	31	19	21	28	23	23
Surinamese	LMP	2	81	76	70	31	66
	W	31	72	69	63	27	58
	NW/LMP	25	11	9	10	13	13
Antilleans	LMP	37	73	75	73	31	62
	W	28	63	65	65	(26)	53
	NW/LMP	25	14	13	12	(15)	15
Dutch	LMP	48	86	77	73	27	69
	W	43	82	73	69	26	65
	NW/LMP	11	5	6	5	6	6

Source: Vermeulen and Penninx (2001) p. 33, taken from Martens (1999)

LMP= labor market participation as a proportion of the 15-65 population

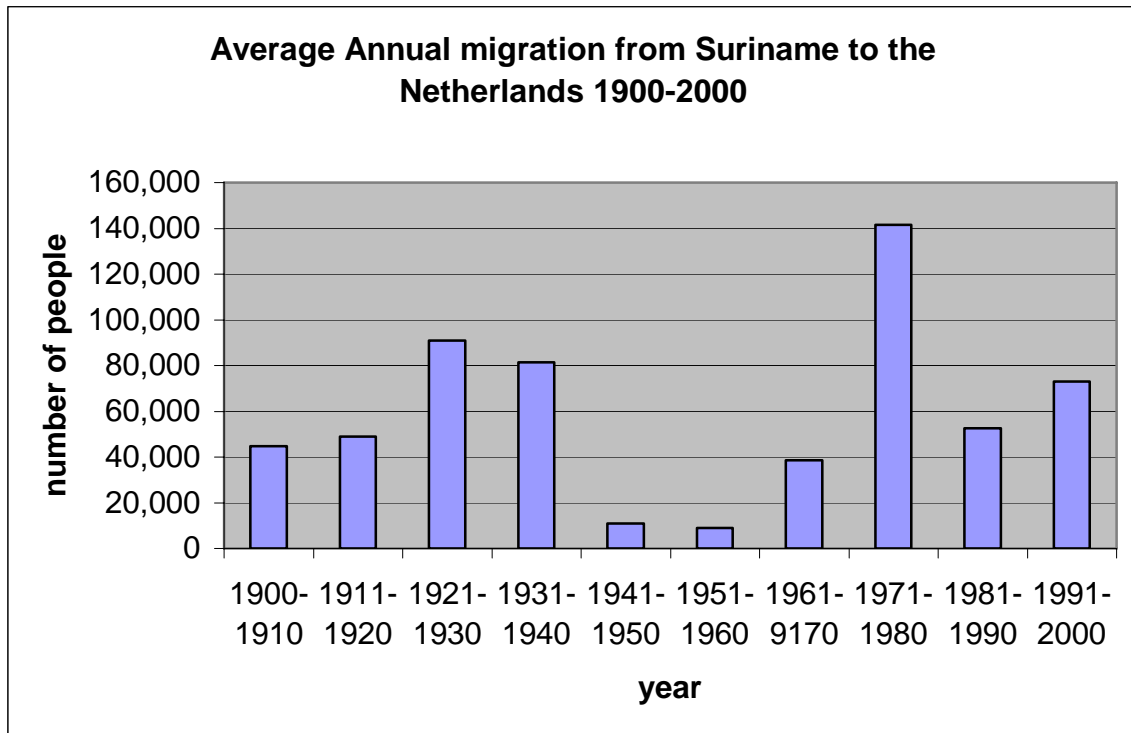
W= working persons as a proportion of the 15-65 population

NW/LMP= non-working persons as a proportion of the total labor force (LMP)

() based on less than 35 observations in survey

Significant emigration to the Netherlands started only in the 20th century, and in particular after World War II. Originally, education was the main reason for migration to the Netherlands, especially for colonial elites. Migration from Suriname to the Netherlands began through students, who wanted to meet the demand for higher skilled labor. Gradually some also migrated in search for a better life abroad. The real surge came around Suriname's independence in 1975: more and more Surinamese left for the Netherlands. There were two main migration waves: in the years 1974–1975, shortly before independence more than 50,000 Surinamese left the country. Many were concerned about race riots and mass hysteria - which were occurring in British Guyana - and Surinamese still living in Suriname after 1975 would lose their Dutch citizenship (Castles and Miller, 2003). In the years 1979–80, just before the Netherlands introduced a visa requirement, another 30,000 Surinamese moved to the Netherlands. This was a dramatic exodus for a small country of approximately 400,000 people (Van Niekerk, 2005). Family reunification was the main reason for immigration in the 1980s. Many members of the middle class left the country after the Netherlands suspended development aid in the early 80s. The last wave of migration was caused by the 'interior war' when the Maroons clashed with the military government of Gowricharn (2004).???? Migration waves can be seen in the following table. Between 1997 and 2004 another 40,000 Surinamese migrated to the Netherlands, so that the number of Surinamese people living in the Netherlands amounted to 325,300 in 2004 (CBS, statline, Historie bevolking).

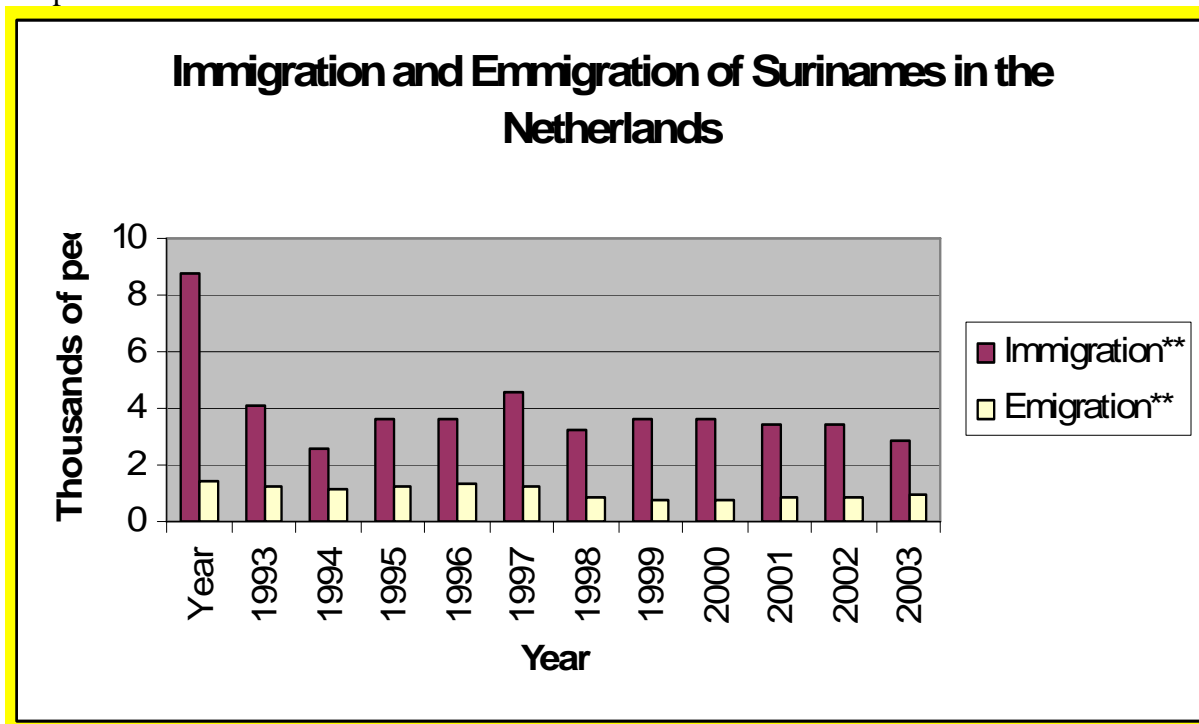
Graph 4.1.



Source: Gowricharn and Schuster (2001) and own update from CBS statline

As the following table on remittances shows, the corridor between the Netherlands and Suriname is an important one. There are now 188,367 first generation and 141,063 second generation Surinamese living in the Netherlands, thus 329,430 in all (CBS, Statline, 2005). About 70% of Surinamese interrogated in a survey by the Consumentenbond (2005) said they send money home.

Graph 4.2.



** People who were born in Suriname, who immigrate to or emigrate from the Netherlands

Source: CBS Statline Database

What is the source of money that is being sent over (is it earnings from labor, pensions and social security, alimony, or is it an incidental income lottery, inheritance, alimony which leads to only incidental remittances; criminal and illegal money from drug proceeds, Or is it the shifting of assets and property from moving from one country to the other as is the case with migrant transfers?)

Table 4.2. Income of Surinamese migrants

Income of Surinamese in the Netherlands (September 26th, 2003)

*1.000

	Number of people	People with only work				Surinamese without work, social assistance or a pension	Other
		Employee	Self employed	Both	Total		
Surinamese population in the Netherlands (1st generation)	188,0	95,5	3,8	1,4	100,7	26,0	61,3
Surinamese population in the Netherlands (2nd generation)	136,0	34,2	1,0	0,4	35,7	90,6	9,7
Surinamese population in the	324,0	130,1	4,8	1,8	136,4	116,6	71,0

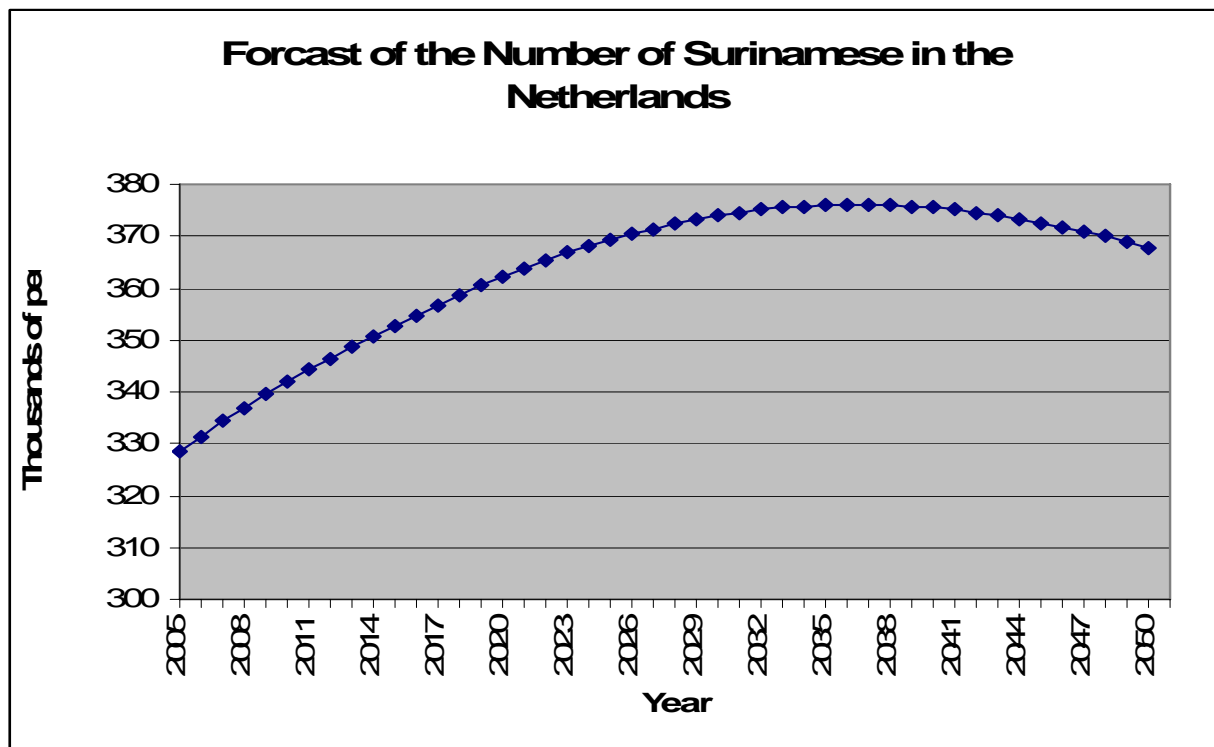
Netherlands (total)									
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Source: CBS Statline Database

The average income of a Surinamese was 14,400 euros in 2003. The average standardized income per person, which takes welfare aspects (equivalence factors accounting for the number of children in the household, etc) into account, was 16,900 euros (CBS statline).

According to Foquz ethno Marketing, there were 134,270 Surinamese households living in the Netherlands in 2001, who/which??? disposed over an average disposable income of 17,800 euros. The total disposable income of the Surinamese people in the Netherlands amounted to 2 billion euros.

Graph 4.3.



* Surinamese: People that were born in Suriname (1st generation) or people from which one parent was born in Suriname (2nd generation).

Source: CBS Statline Database

As can be seen above, the number of Surinamese in the Netherlands is predicted to increase and then hit a peak around 2035, after which the population will begin to decrease. These numbers are calculated only taking into account birth and death rates. They do not consider the possible mass migration back to Suriname by pensioners. The table below shows that even though the current number of pensioners is small, it is likely to increase in the coming years.

A relatively large number of first generation Surinamese is employed and many of those from the second generation are studying, which means they will gain more earning power in the future. The table below indicates that not even half of the second generation (90.6 thousand)

Surinamese are working, pensioned or on social assistance. This is mainly due to the fact that so many of the second generation are still in school. In general, there are few poor Surinamese, with only 40,000 of both first and second generation living on social assistance.

Table 4.3: Surinamese generations of workers

Surinamese in the Netherlands: Work, Social Assistance or Pension (September 26th, 2003)

*1.000

	1st generation Surinamese*	2nd generation Surinamese (total)*	2nd generation Surinamese (one parent Surinamese, the other Dutch)	2nd generation Surinamese (two Surinamese parents)
Number of people	188,0	136,0	44,3	91,7
Only Work	100,7	35,7	12,1	23,6
Only Social Assistance	33,5	6,0	1,9	4,1
Work & Social Assistance	7,4	1,5	0,5	0,9
Only Pension	8,7	1,5	0,9	0,6
Pension & Work	2,1	0,5	0,2	0,2
Pension & Social Assistance	8,8	0,2	0,1	0,1
Pension & Work & Social Assistance	0,7	0,1	0,0	0,0
No Pension & Work & Social Assistance	26,0	90,6	28,5	62,2

Source: CBS Statline Database

* Surinamese who were born in Suriname and live in the Netherlands

** Surinamese who were born in the Netherlands and of which one or two parents were born in Suriname

From the 329,000 Surinamese people living in the Netherlands in 2004/2005, 64% is between 20 and 65 years old. This group forms the potential for transfers (Consumentenbond, 2005).

4.2. Differentiation

The Surinamese population in the Netherlands reflects the ethnic and class composition of the population in Suriname. As migration to the Netherlands increased, gradually all social classes and ethnic groups came to participate in it, although the Amerindians, Maroons, and Javanese (who live more in the rural and interior parts) participated the least. Early migration involved the elite and middle class, while migration from the early 1970s onwards was mainly a lower class phenomenon. The timing of migration to the Netherlands of the different ethnic groups in Suriname mirrored the order of their arrival in Suriname. The two largest ethnic populations are the Indo-Surinamese and Afro-Surinamese (see Van Niekerk 2002).

Surinamese people make up about 2% of the Netherlands' population. As can be seen in the following table, they are concentrated in four big Dutch cities: Almere, Amsterdam, the Hague and Rotterdam. About 40% of Surinamese residents are living in these four cities.

Table 4.4. Surinamese residents in Dutch cities (January 1st, 2005)

City	Number of residents	Surinamese residents, number	Surinamese residents as a percent of total Dutch residents
Netherlands	16.305.526	329.43	2,0
Almere	175.007	17.684	10,1
Amsterdam	742.783	70.38	9,5
The Hague	472.096	45.446	9,6
Rotterdam	596.407	52.504	8,8

Source: CBS Statline Database

With regard to the different Surinamese ethnic groups, we know that the Hindustani Dutch population resides mostly in and around the Hague, whereas we find a higher concentration of Creoles in both Amsterdam and Rotterdam.

In brief: the total number of Surinamese involved in remittances is around 70% or 210,000 people. There are 188,000 first generation and 136, 000 second generation Surinamese. The fact that most of them are not yet pensioned shows the relatively young age of the population. Most Surinamese are concentrated in four large Dutch cities. Approximately 40% is living in Almere, Amsterdam, The Hague and Rotterdam. The rest of the population is spread across??? the Netherlands. The dominant Surinamese ethnic groups in the Netherlands are the Hindustani and the Creoles.

70% of the Surinamese working age population sends money to Suriname (Consumentenbond, 2005), while 47% of Surinamese in Suriname receive money (Own Survey, 2006).

Suriname is not seen as a country in need anymore (see e.g. the Dutch policy memo on a rich relation, een rijke relatie 2004). Therefore, it will probably not receive European funding from 2009 onwards.

5. The Recipients

The recipients of remittances are Surinamese people, who have to live in a specific economic, political and social environment, which might influence the remittance channels chosen and the way in which the money is spent. For this reason we examine the macroeconomic, political and social framework in Suriname. In this section we also explore past, current and future migration as well as specific remittance behaviour. We also look at the link between remittance behaviour and ethnicity, given Suriname's diverse cultural background.

5.1. Suriname: the receiving country

- **The official economy**

Suriname is located in Northern South America and shares its borders with (British) Guyana to the west, French Guyana to the east and Brazil to the South.

As one can see from the following table, it is a small country, with a surface of 163,000 square kilometres or 63,251 square miles of which about 85% is forest. There are between 400 and 500 thousand people living in Suriname (depending on the estimate taken), of which more than half live in the capital Paramaribo. The official language is Dutch but most people also speak Sranang Tongo, which is a local English-based Creole. English, Hindi, Javanese and Chinese are also spoken.

Table 5.1. Economic and Social Indicators of Suriname

Economic and Social indicators (2004)		
	Suriname	Netherlands
Surface area (thousand square kilometers)	163,3	41,5
Population (millions)	0,4	16,3
GDP (current USD, billions)	1,1	579,0
GNI per capita, Atlas method (current USD)	2.230	32.130
Life expectancy at birth (total years)	69,5	78,7
School enrolment, primary (% net)	92,4	99,2
Infant mortality (1.000 live births)	74	78,6

Source: World Bank.

The GDP of Suriname was 4.1 billion Surinamese dollars in 2004, of which 3.5 billion are attributed to the formal sector. The IMF Statistics and the General Bureau of Statistics of Suriname both distinguish a formal and an informal sector. According to their calculations, the informal sector accounts for about 15%-20% of the Surinamese economy. All the people to whom we spoke estimate the informal economy to be at least 50%. This also confirms our own impressions. The amount of good quality housing, luxury cars, the price level and the overall standard of living in the capital of Suriname, Paramaribo, where the majority of the population lives, appears to be much higher than the per capita income of 6.850 SRD (formal) and 8.078 SRD (formal and informal sector) listed in these statistics for 2004.

Statistics in Suriname define the informal system in two ways: they estimate the labor force (which means the people between 15 and 64 years old), check how many are in the formal enterprises of the state and therefore formally employed and the rest are considered informal. They subtract the formal enterprises from the labor force and call this the informal sector. The other way of calculating the formal sector is via national accounts where they estimate the informal sector to be 20%; here they take the gold as an indicator. In either case, the informal sector is known to be large so the official statistics are to be considered critically (see IMF 2006).

The country is rich in natural resources. The Dutch even claimed, in their policy memorandum on Suriname, that Suriname was much richer than the Netherlands, at least when seen from the amount of natural resources (Beleidsnotitie Suriname 2004). The country's major export products are (order of importance)

- Bauxite- There are bauxite mines in Lelydorp and Mungo which are continuously maintained and modernized. Bauxite accounts for more than 15% of GDP.
- Alumina- Bauxite is first transformed into alumina. A large amount of energy is necessary in order to produce aluminium so this last step is not done in Suriname.
- Gold- Recently, high investments have been made in the gold sector. The new gold mine in Rosebel became operational in April 2004.
- Food- such as rice and bananas.
- Tourism- Tourism is limited, although the country has one of the largest intact rain forests and is a paradise for birds and bird watchers. This is due to the limited air traffic flying to and from Suriname. KLM flies between Amsterdam and Suriname six times per week and all flights are usually fully booked. The Surinamese airline SLM flies to Trinidad and Curacao three times per week. There are no more flights to Miami (before this was through Transamerican). SLM does not have big enough airplanes to fulfil the international standards of the US, and therefore is not allowed to land. SLM is a public company, with 650 employees and only 2 airplanes. However, the government protects the monopoly and does not allow further flights to other countries.
- Volkswagen- Volkswagen invests 790 million in Foreign Direct Investments into the country.

In its latest report, the IMF (2006) judges the macroeconomic situation in Suriname quite favorable. As can be seen from the following table, growth, inflation, the budget and the current account, as well as the development of public debt both domestic and external show that Suriname's economy is doing quite well.

Table 5.2: Macroeconomic framework

	2004	2005	2006	2007
Real GDP growth (in percentage)	7.8	5.1	4.5	4.4
Inflation (end of period in percent)	9.1	16.7	8.1	6.2
Fiscal balance (percent of GDP)	-2.9	-1.0	-0.8	0.8
Public sector debt (in percentage of GDP)	46.7	41.5	37.3	34.2
Of which: external debt	33.0	27.9	24.5	22.8

Source: IMF (2006)

- **Inflation**

The Money Supply M1 was 775 million SRD in 2005 and is increasing, due to economic prosperity and inflation and M3 is 1.1 billion SRD. According to a Surinamese Professor of Finance, and contrary to the international trend of controlling M3, the Central Bank tries to

control M2, which includes deposits of more than 1 year. It is important to note that inflation has been brought under control.

The inflation rate in 2004 was 9% and increased to 15% in 2005 (because of the hike in oil prices since Suriname is still a net importer of oil and the government also stopped to subsidize oil prices). In the mid 90s inflation was out of control and over 100% at times. In 1999 inflation was 98.9%.

There are **minimum reserve requirements**. 27% of every savings account must be held interest free at the Central Bank as a minimum reserve. Of this amount, 8% can be used by the banks for low interest mortgages. For foreign currency deposits, the minimum reserve requirement is higher, namely 33%. With the permission of the Central Bank one can use foreign state bonds to hold this reserve (they bear an interest rate of 4%).

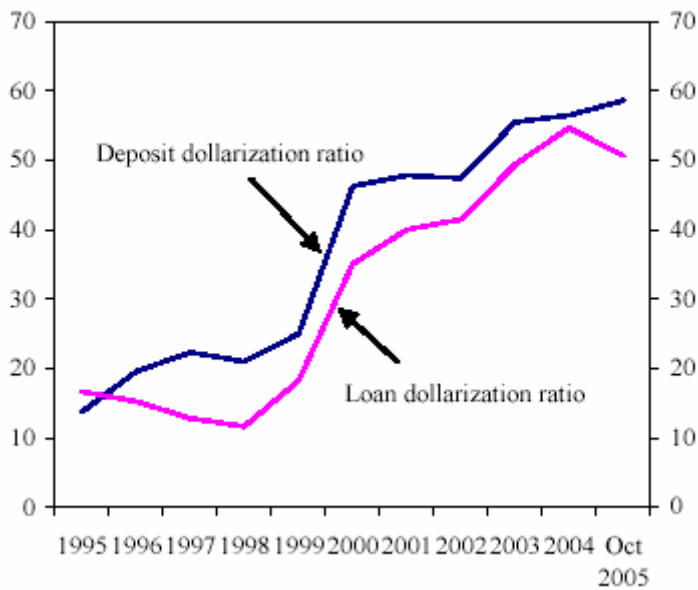
- **The currency and the exchange rate**

Suriname has three currencies: the Surinamese dollar, the US dollar and the Euro. In 2004 the Surinamese guilder (SRG) was replaced by the Surinamese dollar (SRD) and three zeros were dropped from the Surinamese guilder so that 1 SRD = 1000 SRG. The label “dollar” seemed to fit better with the currencies of the other Caribbean countries.

Contrary to the US dollar and Euro, the SRD is not internationally traded. For international payments, residents use US dollars more often than Euros. Dollars are needed for export and import business since some Surinamese sectors deal only in dollars, such as real estate and the car market.

The economy has become increasingly dollarized in recent years. The share of foreign currency deposits rose to 59 percent of the total deposit base in 2005, and the share of private sector credit denominated in foreign currency rose to 51 percent. Dollarization has reflected the lingering effects on confidence of the earlier episodes of near-hyperinflation, the liberalization of foreign exchange controls and bank lending regulations, and reserve requirements that strongly favored foreign currency intermediation. More recently, however, exchange rate stability and the sharp increase in reserve requirements on foreign currency deposits in the past two years appear to have halted the increase in financial dollarization (IMF 2005).

Financial Dollarization, 1995-2005



Source: IMF 2005

The major companies (i.e. Bauxite, oil, gold) in Suriname pay taxes in foreign currency, which is how the Central Bank receives most of its foreign currency. For this reason, they do not need to access the foreign market, but this might change, according to Central Bank officials.

Previously, there was a system of surrender requirements and export receipts had to be put at the Central Bank. Since the liberalization of international trade, people can keep their export receipts at Commercial Banks in both dollars and euro. Commercial Banks are not forced to sell the foreign currency to the Central Bank. People may hold bank accounts in different currencies.

The Central Bank tries to keep the dollar-SRD exchange rate stable by some sort of managed floating. The way in which the Central Bank does this, was interpreted quite differently by the market participants. Some talked of a margin of possible exchange rates given to commercial banks, some talked about a fixed exchange rate and some about a free exchange rate. The exchange rate policy of the Central Bank seems to be interpreted differently especially by the Central Bank and the Commercial Banks. The Central Bank claims that since 2nd of June 2004 it does not give an exchange rate band to banks anymore. Banks are free to choose the exchange rate, but get a fixed exchange rate proposal from the Central Bank. They use moral suasion to get banks to apply an exchange rate “as close as possible to the Central Bank rate”, by a gentlemen’s agreement. They also have gentlemen’s agreements with the Cambios (the money exchange offices in Suriname). They have separate meetings the same day, depending on the issue first with the Cambios or first with the Banks.

Commercial banks say that they get an exchange rate band from the CB (Hakrinbank) or a fixed exchange rate (Suri-Change). The explanation for these different and contradicting sounding statements seems to lie in the fact that the central bank sends every day the buying and selling exchange rate for US dollars, Euro (also for Pound Sterling and Netherlands Antilles Guilders) to the bank. It distinguishes between cheques and transfers, and bank paper exchange rates. The Central Bank makes clear in a footnote that these exchange rates are

indicative. They are supposed to give a point of orientation for the public. The Central Bank also denies any responsibilities for eventual mistakes.

Table 5.3: March 20, 2006 the Dollar and Euro exchange rates were the following:

Currency	Bill of exchange (wissel),		Bank papers	
	Buying	Selling	Buying	Selling
US dollar (USD)	2,700	2,780	2,700	2,780
Euro (EUR)	3,290	3,387	3,280	3,397

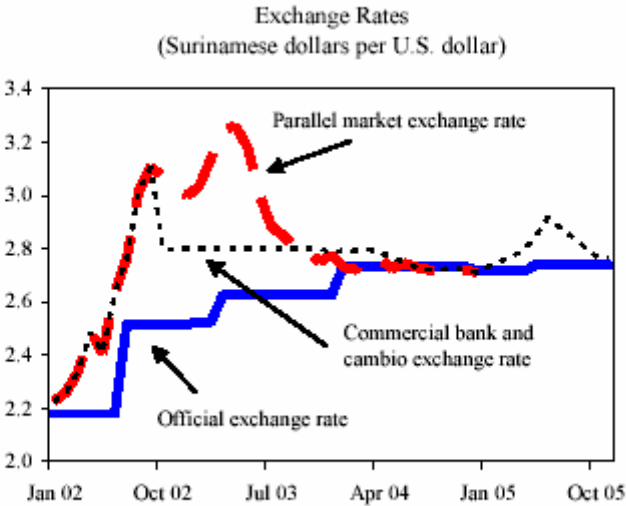
Source: The Central Bank of Suriname

According to the banks, this exchange rate is for the statistical record. The real deal is higher. For US dollar transactions the Commercial Bank has a margin of 8 percent. It will select the highest possible exchange rate. It can go up to 2,80 for selling. But the Cambios very often do not keep to the gentlemen agreements and sell above 2,80.

Depending on the Euro dollar exchange rate, the fixed exchange rate of 2,80 US-SRD will transform into a free Euro-SRD exchange rate, which fluctuates according to the EUR-USD relation.

Banks say that if a bank does not keep to the fixed SRD-USD exchange rate it will get immediate troubles with the Central Bank. They have off-site (reporting) and on-site (they come into the bank, announced) inspections.

The graph below shows that the Central Bank official exchange rate is always lower than the commercial bank rate. The Cambio rates, however, are often above the rate listed in the graph below.



Source: Central Bank of Suriname.

Table 5.4: Suriname: Finance and Banking System Structure

	2002	2003	2004	Sept.2005
Banks	8	8	8	8
Large Banks	3	3	3	3
Small Banks	5	5	5	5
Reporting non-bank financial institutions				
Pension funds*	31	22	22	22
Insurance companies	10	10	10	11
Credit unions and cooperative	16	8	9	9
Assets (in percent of total)	100	100	100	100
Banks	67.7	68.9	79.3	
Large Banks	57.3	58.3	66.8	
Small Banks	10.4	10.7	12.4	
Pension Funds	23.3	21.8	10.2	
Insurance Companies	7.7	7.7	8.3	
Credit Unions and Cooperative	1.4	1.6	2.2	

Source: Central Bank of Suriname, Supervision Department and IMF staff estimates

*IMF estimates for 2003

The Surinamese financial sector consists of 8 banks, 31 pension funds, 10 insurance companies and 16 credit unions and cooperatives. With regard to the financial sector the IMF (2005) criticized, among others, the following points:

- **Weak supervision:** This reflects inadequate staff resources, delays in data collection to monitor compliance, and inadequate controls to prevent money laundering, particularly among the large number of casinos and the unregulated foreign exchange houses. The staff recommended strengthening money-laundering controls and prudential regulations, particularly for the non-bank system. The authorities expressed interest in receiving technical assistance in this area.
- **State-owned banks:** There are three small state-owned banks that provide credit to low-income households for agriculture and housing under mostly social criteria. Since these institutions were insolvent, the mission encouraged the authorities to follow the IDB's recommendations and liquidate these banks in order to maximize the salvage value of their assets.
- **Dollarization:** The staff cautioned that dollarization exposed the banking system to balance sheet risks. The authorities responded that the decline in the loan dollarization ratio was a sign of improved risk assessment by banks, but they agreed with the mission's recommendation to strengthen banking supervision in these areas.
- Investment and tax legislation, pricing regulations, public sector monopolies and state enterprises create **barriers to foreign direct investment** and hinder the development of the non-mining private sector.
- **There are serious data reporting problems in Suriname.** There are severe shortcomings in the quality and provision of economic statistics, in particular with respect to national accounts and trade data.

The current account in Suriname is in a deficit of about 10% of GDP, on average and the government has tried to consolidate the budget. There are no remittance matching programs in Suriname, probably because the government doesn't want to put any more pressure on the budget.

The highest tax bracket in Suriname is 38%. There is 8% VAT and no luxury tax. However, we found that most sales within the country happen without a bill, so the VAT must be very difficult to be collected from the private sector.

Casinos, one group of the formal and informal sector (known for money laundering) must formally to pay the following taxes:

Casinos are taxed under the Casinowet (Casino Act) as of January 1, 2003:

- Slot machines are taxed: SRD 400 per month per machine;
- Gambling table is taxed 3000 per month per table;
- Roulette table is taxed SRD 4000 per month per table.

Under the Wet Hazard Spelen (Act on Hazard Games of 1962): Casinos are taxed at 50%.

- **The informal and illegal economy**

In developing countries the formal and informal sector for financial services can be conceptually difficult. The informal sectors in developing countries, such as Suriname, are often large and extremely important. It is estimated that between 20-50% of the economy is informal in Suriname. It is important to understand here that many people in Suriname are unable to even distinguish the difference between formal and informal money transfer providers. For instance, money transfer services like Western Union, MoneyGram and MoneyTrans operating in Suriname do not need a license from the Central Bank (which would usually mean that they are informal) but we would still consider them formal.

Cambios, money exchange offices, do need the Central Bank's agreement for exchanging money. However, they very often do illegal money transfers, for which they do not have permission. There are only two Cambios in Suriname that are registered as money transfer agents. The rest of the Cambios do the business of money transfers illegally.

Much of the private business in Suriname runs without bills. It is very difficult to collect bills from restaurant, hotels or taxi drivers. Very often, one would have to indicate in advance that they would need a bill. This means that this part of the economy is untaxed and unreported.

Experts estimate that the informal economy counts for at least 50% of the Surinamese economy and this does not seem exaggerated to us. A large part of the informal economy consists of illegal activities.

The CFATF in his last report on Suriname (CFATF 2005) lists drug trafficking as the number one problem. Suriname is being used as a "bulk station" or "storage" place for large amounts of illegal drugs on its route to Europe or to the United States. In particular, since Brazil has set harsher controls, drugs get transported increasingly via Suriname.

The country is still a hub for transshipments of cocaine mainly to Europe and the US. XTC pills coming from the Netherlands and other parts from Europe, also find their way to the US via Suriname. In 2004, 471 people were arrested with 730 kg cocaine, 199 kg marijuana and 20.084 tablets of XTC.

Drug dealers are socially accepted in Suriname. The luxurious houses, cardealerships, Casinos and Cambios that drug dealers own, are conspicuous and relatively easy to identify. The names of the major drug dealers are known and used for their businesses. The informal and illegal where one can send large amounts of money, can be found in the basements of stores or in the backside of some other business. The Cambios (the money exchange offices) openly do money transfers. Very often Cambio owners also own a Casino. Currently there are 27 Casinos in Paramaribo and some owners also own Cambios. Though Casinos have to be licensed and should, according to the Surinamese law, always be connected to a hotel, the government has also given licenses to non hotel owners (see criticism of the CFATF 2005).

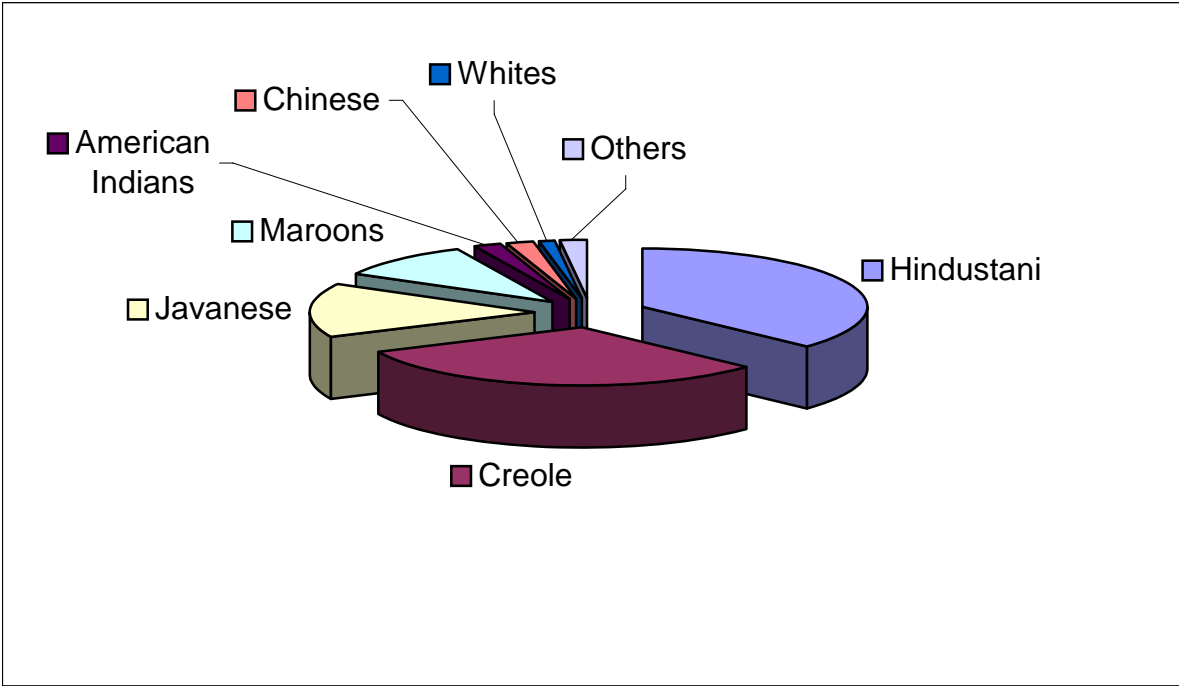
Many people do not see a difference between making a profit from selling alcohol or making a profit from selling drugs. Students of the Anton de Kom University in Paramaribo found income from dealing with drugs more wishful than having to wait for development aid or being dependent on the IMF conditionality (Suriname has no program with the IMF running). They believe dealing in hard drugs is less harmful than taking soft drugs and, therefore, heavily criticized the Netherlands for allowing soft drug consumption. In Suriname, the tolerance of the drug trade and the social perception of it are remarkable. To buy your grandmother a TV from drug money is considered a right thing to do.

Money laundering proceeds are believed to be controlled by both local drug-trafficking organizations and organized crime (CFATF 2005, p.7). The highest officials are involved in money laundering activities. The former Minister of Justice (Mr. Gilds) has now been arrested for money laundering. The CFATF sees serious symptoms of corruption in some government agencies, in particular, the customs and tax collecting agencies (CFATF 2005, p.7). There is also organized crime. The Chinese mafia is very present in Suriname but they only deal with other Chinese and are only mainly a threat for other Chinese.

5.2. Remittance recipients

Suriname is made up if a population between 400 and 500 thousand people (depending on the estimate), which consist of a diverse array of ethnic groups. Officially, Suriname's population is made up of 37% Hindustani, 31% Creole, 15% Javanese, 10% Maroons (Bush Negroes), 2% Amerindian, 2% Chinese, 1% white and 2% other (CIA World Factbook, 2006). As can be seen from the chart below, Creoles and Hindustanis together make up the ethnic majority in Suriname.

Chart 5.1: Surinamese Population by Ethnic Group



Source: data from CIA World Factbook, 2006

- The 2006 Paramaribo Remittances Household Survey**

When gathering information on remittance recipients we conducted our own household survey of 132 households in greater Paramaribo (where at least half of the Surinamese population resides). The survey was conducted over a two week period in 2006 (March-April). A sampling frame was obtained from the Bureau of Statistics in Suriname for the greater Paramaribo area and 132 households were interviewed by 12 bachelor and masters students from Anton de Kom University. The interviewers had previous experience with administering questionnaires and were trained in survey methodology.

The questionnaire was developed with inspiration from other surveys including: the Consumentenbond 2005 survey, various surveys from El Salvador as well as the Moldova 2004 household survey. The help from several experts at Maastricht Graduate School of Governance was also utilized, with particular support from Chris de Neubourg. The survey was developed in English and translated to Dutch for administration.

The questionnaire covered key areas of interest including demographic and socioeconomic information of the household; present, past and future migration of the household and other family members; and remittance behaviour and remittance channel usage.

In the following section we present various descriptive statistics of our sample group to gain a better understanding of the group itself as well as the Surinamese population it represents.

- **The Surinamese sample population**

Ethnic composition of our survey can be seen in following table (which is in line with official estimates). The “Mixed” category refers to any mixed composition of the other ethnic groups, but usually refers to Hindustani or Creole mixes.

Table 5.5: Respondents’ Ethnic group affiliation

Ethnic group	Percentage of total respondents
Hindustani	22
Creole	33
Javanese	9
Chinese	1
Maroon	13
Amerindian	1
White (European)	0
Mixed	19
Other	2
Total	100

Source: Own Survey, Paramaribo 2006

Of the households surveyed, most of the household members were working with an employment contract or students. It should be noted, however, that those people working without an employment contract constitute 30% of those working with a contract. This gives some evidence to support the large informal sector.

Table 5.6: Employment situation of all household members

Type of Employment	Percentage
Working with employment contract	24
Working (self-employed)	5
Working without an employment contract	9
Looking for a job	4
Unemployed	11
Student	37
Pensioner	5
Housewife	2

Source: Own Survey, Paramaribo 2006

As can be seen in the table below, most Surinamese households have an income below 2000 SRD which is approximately 600 euro or less per month. A little less than half of the households questioned have an income of less than 1000 SRD per months, which is equal to 300 euro, showing the need for outside sources of income which would come predominantly in the form of remittances. Income and expenditure figures seem to be in line with each other; although, for the group of average income per month between 501-1000 SRD, there seem to be a substantial difference between income and expenditure with expenditure being substantially higher than income.

Table 5.7: Household income and expenditure

Surinamese dollars per month	Average income per month	Average expenditure per month
0-500	21	18
501-1000	24	34
1001-2000	29	30
2001-3000	6	8
3001-4000	4	0
4001-5000	2	0
Above 5000	1	0
No Response	14	9
Total	100	100

Source: Own Survey, Paramaribo 2006

Although most households have a low income, more than half report a very good or adequate standard of living. 43%, however, report a difficult or very difficult overall living situation, which could stem from a further need for income. Most respondents find their living situations either adequate or difficult with few households reporting very good or very difficult situations.

Table 5.8: Socio-economic situation in household (response in percent of total respondents)

	Very good	Good (Adequate)	Difficult	Very Difficult	Total
General Situation	4	54	37	5	100
Food	17	69	13	2	100
Housing	7	61	24	8	100
Clothes	5	76	18	2	100
Health	11	67	20	3	100
Education	8	60	18	1	100
Entertainment	12	51	23	8	100

Source: Own Survey, Paramaribo 2006

From the preceding tables we were able to obtain a general picture of the Surinamese remittance recipients with regard to employment, ethnicity, income, expenditure and general well-being. We will now turn to the migration behaviour of the Surinamese since this is what has the greatest impact on remittances sent back to Suriname. The greater the number of migrants outside of the country, the greater is the pool of remittance senders.

5.3 Remittance recipients and migration

To understand remittances properly, one must understand the migration patterns in a country. As could be seen in earlier sections of this report, many Surinamese migrants have immigrated to the Netherlands. In our household survey, we found that most people currently living in the households interviewed had not lived abroad (only 6% had lived abroad), although they reported a decent amount of past migration in their families. In this section we look at past, current and future migration. Looking at past, current and future migration behaviour can give us an idea of migration trends. Investigating current migration helps us to understand present day remittance behaviour and looking at future migration can enable us to make judgements on what to expect in the future and what policies may be most appropriate.

Table 5.9: Country of past, current and future migration

Country	Past migration in percent of past migrants	Current migration in percent of current migrants	Future migration in percent of future migrants
Netherlands	66	89	65
United States	2	3	2
Caribbean ¹¹	24	6	29
Other	10	1	4
Total	100	100	100

Source: Own Survey, Paramaribo 2006

Past migration

When speaking about past migration, we mean those who lived abroad in the past and have returned. The Netherlands is the most prominent country for past migration (66%) with the Caribbean following in second place with 24% of past migrants. Many of those who responded as “other” (10%) had lived in a neighbouring country like Guyana or French Guyana. As we can also see from the following table, most people who lived abroad in the past spent at least 3 to 5 years abroad. 39% of respondents even lived abroad for more than 10 years before returning home. This may give some indication that at least some people living in the Netherlands for a long period of time may still return to Suriname. The time of return is also quite spread out among the years, so we are not able to see a clear trend as of yet in the return habits of past migrants with regard to the number of years spent abroad.

Table 5.10: Duration and return of past and current migration

Duration	Past migration		Current migration	
	Duration of past migration in percent of past migrants	Year of return in percent of past migrants	Year of migration in percent of current migrants	Planned year of return in percent of current migrants
Less than 1 year	5	10	0	1
1-2 years	10	21	3	1
3-5 years	31	31	5	3
5-10 years	11	21	13	2
Greater than 10 years	39	15	77	1
No response	5	3	1	
Never				63
Don't know				28
Total	100 ¹²	100 ¹³	100	100

Source: Own Survey, Paramaribo 2006

¹¹ We include Guyana and French Guyana in the Caribbean here.

¹² Numbers add to 101% because of rounding.

¹³ Numbers add to 101% because of rounding.

- **Current Migration**

Current migration is most important for current flows of remittances. It is clear from Table 5.9 that most current migrants reside in the Netherlands, with most migrants living there for more than ten years. This is mainly because of the large wave of migration in the 1970s around the time of independence. However, it can also be seen from the tables below, that a large portion of those that left during different time periods were seeking better economic opportunities or were joining other family members. It is also easy to see from Table 5.10 that more than half of migrants do not plan to return to Suriname to live. Nonetheless, it is quite possible that at least part of the population will return.

Table 5.11: Reason for current and future migration

Reason for migration	Reason in percent of current migrants	Reason in percent of future migrants
Join a family member	17	8
Economic opportunity	38	39
Health care	1	0
Education	8	45
Independence in 1975	16	--
Other	8	8
No response	10	--
Total	100	100

Source: Own Survey, Paramaribo 2006

Most people living in Suriname have relatives living abroad and most of those relatives living abroad reside in the Netherlands. The table bellows shows that those people interviewed reported up to more than 60 relatives living abroad. There were also several respondents, which said there were “too many to count”. Most people seem to have 20 or less relatives in the Netherlands. This shows that there is a large pool of people residing in the Netherlands to be sending money back to their relatives in Suriname.

Table 5.12: Number of relatives currently living abroad

Number of migrants	Number of migrants in percent of households interviewed
1-5	39
6-10	19
11-15	5
16-20	18
21-25	9
26-40	5
41-50	3
51-60	1
More than 60	1
Total	100

Source: Own Survey, Paramaribo 2006

- **Future Migration**

Migration seems to be an important part of Surinamese society. Several of the households interviewed have plans to migrate in the future. Most of this planned future migration is in seek of economic opportunity or education and is planned for the Netherlands. There is only one public university in Suriname (Anton de Kom University) so those who would like to study a topic not offered at the University must go abroad. Since the Netherlands has good Universities and the same language, it is easiest for many people to study their higher education in the Netherlands. It should also be noted that many of the future migrants plan to live in the Caribbean, which means that we may start to see larger streams of remittances coming from the Caribbean in the coming years.

5.4 Remittances received

As can be seen from earlier sections, migration and remittances play an important role for Suriname. We can also see a steady increase of remittances over time. In a 1993 SWI survey (population was 403.8 thousand in 1993¹⁴), 8.5% of households received remittances. If 8.5% of the total population received remittances, that would mean that 34.4 thousand people receive remittances. 34.4 thousand people, each receiving an average of 11346 Sfl, would mean 389.168 million Sfl in 1993, equalling 3.6 million euro in monetary remittances. Of all households in the study 8.5% of the households had income coming from foreign non-labor income (remittances), which constituted approximately 20% of the total the mean income. Using the poverty line “Income Poverty Ratio” (YPR)¹⁵, of households receiving remittances, 41.5% were below the poverty line. If these households would not receive remittances (all else held equal) 80.9% of these households would be below the poverty line. Looking at all urban households, 69.5% fell below the poverty line. Ceteris paribus, if remittances are excluded 79.8% of households fall below the poverty line.

¹⁴ : <http://www.library.uu.nl/wesp/populstat/Americas/surinamc.htm> or 404,147 in Menke 1998 taken from the General Bureau of Statistics in Suriname.

¹⁵ *The Income Poverty Ratio (YPR) = (Y/Hs)/Te*

Where YPR is the standard Income Poverty Ratio for 1 adult; Hs is the standardized number of adults in a household; Y is the total net household income; Y/Hs is the per capita standardized household income; and Te is the objectively needed household expenditures per adult household member for all basic needs based on the Basic Food Basket.

Another SWI survey was conducted in 1999/2000. According to this Survey¹⁶, 12% of the population received remittances. Using the population figures from 2000¹⁷ (435.8 thousand people), approximately 52,296 people receive remittances. If the mean value of received remittances for 2000 was 25,212 Surinamese guilders, then the total Surinamese population should have received 12.2 million euro.

By 2006, according to our 2006 survey, the Surinamese population receiving remittances had jumped to **47%**. If we assume that 47% of the population receives remittances, then approximately 212,000¹⁸ Surinamese receive remittances. Of those interviewed, 33% receive approximately €100 per year, 43% receive approximately €300 per year and 19% receive approximately €500 per year. Taking this into account, remittances received for the entire population in 2006 would amount to around €8 million. Our own survey results in much higher estimates than the previous household surveys. This is most likely due to an increasing trend and differences in estimates.

From the following table we observe that the greatest amount of remittances are transferred from the Netherlands. This seems more than reasonable given that such a large population of Surinamese live in the Netherlands (more than half of the total Surinamese population live in the Netherlands). Money transfers are, however, also made from the Netherlands Antilles and the United States. The remainder of transfers are most likely coming from Guyana, French Guyana and the rest of the Caribbean.

Table 5.13: Percentage of Remittances Received from different countries

Country	Percent of Remittances Received
Netherlands	85
Netherlands Antilles	4.5
United States	5.5
Other	6
Total	100

Source: SWI 1999/2000

According to our 2006 survey, the duration of remittances received varies between 1 and 35 years, as can be seen in the table below. The majority of people have been receiving remittances for 10 years or less. Over 40% of people have been receiving remittances for the past five years. This shows a significant period of money flows to households in Suriname.

¹⁶ The data are from a research project of the Stichting Wetenschappelijke Informatie (SWI) conducted in 1978, 1993 and 1999/2000. The research project is Global Restructuring, Income and Urban Employment in Suriname (WISE).

¹⁷ <http://www.library.uu.nl/wesp/populstat/Americas/surinamc.htm>

¹⁸ Using a population figure of 450,000 because estimates range between 400,000-500,000.

Table 5.14: Duration of remittances received

Years Received	Percent of those receiving remittances
5 or less	43
6 to 10	29
11 to 15	10
16 to 20	12
Greater than 20	6
Total	100

Source: Own Survey, Paramaribo 2006

The table below shows that those in the lower income categories are the same as those who receive remittances. For example, 21% of households receiving remittances have a monthly income of 0-500 SRD. Accordingly, 37% of households receiving remittances make between 501 and 1000 SRD and 31% of households receiving remittances have a household income between 1001 and 2001. This demographic is approximately the same as the Surinamese population as a whole, which was seen in Table 5.7 on income and expenditure.

Table 5.15: Household income and remittances

Monthly household income (SRD)	In percent of remittance recipients
0-500	21
501-1000	37
1001-2000	31
2001-3000	3
3001-4000	5
4001-5000	2
Other	12

Source: Own Survey, Paramaribo 2006

Following from the table above, the perception of the household income situation and the real situation seem to go hand-in-hand with remittances. Over half of those questioned that were receiving remittances, stated that their current income situation was not enough or just enough for a living wage. Very few remittance recipients reported having everything they need. This seems to show that many of those receiving remittances have a need for them.

Table 5.16: Remittances and perception of income situation

Perception of HH income situation	In percent of remittance recipients
It is not enough for a living wage	45
It is just enough for a living wage	19
It is enough for living wage but we cannot allow ourselves to things that are a bit more expensive	16
Can afford to buy some expensive goods but limit ourselves in other areas	14
Have everything we need	2
Other	2

Source: Own Survey; Paramaribo 2006

We see similar results from the SWI 1999/2000 survey. They also found that a majority of remittance recipients perceive their income situation as insufficient or very insufficient. This survey found that 63% of remittance recipients perceived their income as either insufficient or very insufficient, with 26% reporting their income as neither sufficient nor insufficient. Only 11% found their income to be sufficient.

As stated earlier, 47% of those households interviewed stated that they received remittances but it is important to understand the reasons that the other 53% did not receive remittances. There reasons for not receiving remittances are as follows:

Table 5.17: Reasons households do not receive remittances

Reason for not receiving remittances	Percentage of total interviewed
No relatives abroad	5%
Do not get along with family member abroad	8%
No need	18%
No access to remittance channels	1%
Migrant cannot afford to send money	11%
Other	11%
Total not receiving remittances	53%

Source: Own Survey, Paramaribo 2006

The most important reasons for not receiving money seem to be the lack of need or the impossibility of someone abroad to send money.

Even though almost half of the Surinamese population receives remittance, it is clear that these remittances are sent to the middle and lower income groups. To increase poverty alleviation and development, it may be a good policy strategy to increase the income received from remittances.

5.5. Remittances and Ethnicity

Because of the ethnic diversity in Suriname, it is interesting to note the differences in remittance behaviour between the different ethnic groups. This may also help to understand where to target certain policies to increase remittances. From the table below, we can see that all ethnic groups in Suriname have family members in the Netherlands and almost all receive remittances. Creoles, Hindustanis, Chinese, Mixed and European ethnic groups have the largest numbers of family members in the Netherlands. We can also see here that Creoles, Hindustanis, and Bush Negroes have large percentages of their own ethnic group receiving remittances.

Table 5.18: Ethnicity, migration and remittances

Ethnicity	Percent that has family in NL (1992)*	Percent of total remittances received (1999/2000)**	Percent of total remittances received (2006)***¹⁹
Creoles	83,6	56	45
Hindustani	77,9	19	16
Javanese	63,3	7	10
Chinese	76,5	0	0
Maroon	35,4	8	8
Indian	46,3	0	0
European	87,9	--	0
Mixed	84,7	8	21
Other	32,6	2	--
Total		100	100

*Source: De Bruijne and Schalkwijk (1994)

**Source: SWI 1999/2000

***Source: Own Survey, Paramaribo 2006

From the table above, we can see that of the total amount of remittances received, Creoles receive the largest percentage of transfers. What is even more interesting to note is that the Creoles receive about half of the total remittances received. When taking into account Table 5.18, we can note that this relationship between the Creoles and remittances has not changed in recent years (from 1999/2000 to 2006). The main difference is the drop in Creoles and Hindustanis in 2006, which can mainly be attributed to the increase in Mixed recipients (which are mainly Creole and Hindustani mixes).

We can obtain an even better idea about the remittances behaviour of different ethnic groups from the table below. 34% of Hindustanis receive remittances, while 60% of Creoles receive remittances. 50% of Javanese, 45% of Maroons and 43 % of Mixed receive remittances. This shows that around half of most ethnic groups receive remittances, which is in line with total population estimates. We can see that of those groups that do not receive remittances, a substantial part of them have no need for money transfers. Access to remittance channels does not seem to be much of a problem for any ethnic group.

Table 5.19: Ethnic groups and remittances (Percentages)

	Hindustani	Creole	Javanese	Maroon	Mixed
Yes	34	60	50	45	43
No:					
No relatives abroad	10	0	0	27	3
Do not get along with family members abroad	17	4	8	0	7

¹⁹ The sample group for Javanese, Chinese, Maroon, and Indian were quite small so there is room for error here.

No need	17	13	25	18	23
No access to remittance channels	0	0	0	0	3
Migrant cannot afford to send money	10	13	8	0	10
Other	10	10	8	9	10
Total	100	100	100	100	100

Source: Own Survey, Paramaribo 2006

We can also observe here that Creoles and mixed ethnicity groups receive remittances more often, which is in line with interviews conducted in Suriname. The thinking behind this is that Creoles receive smaller amounts of money more often and Hindustanis receive larger amounts of money less often (this relationship can also be observed in the following tables). This is hypothesised to be because of the fact that, on average, Creoles have a lower income than Hindustanis; from which we can infer that they may need more income assistance. Creoles not only receive monetary remittances more often, but also in kind remittances, which will be shown in section 7.

Table 5.20: How often remittances are received by ethnic group (percentage)

	Hindustani	Creole	Javanese	Maroon	Mixed
Twice per month	0	3	0	20	0
Monthly	0	34	17	0	38
Every 3 months	60	24	50	40	23
Every 12 months	10	10	17	0	15
Other*	30	24	17	40	15
No response	0	3	0	0	8

*usually receiving money 2 or 4 times per year

Source: Own Survey, Paramaribo 2006

The relationship of Hindustanis receiving larger amounts of money than the Creoles seems to hold true in the table below. It is also interesting that we see larger amounts being transferred to the Javanese and Maroons, which make up much smaller segments of the population. Also, those of mixed ethnicity receive larger amounts of money. Only Creoles have over 50% of remittance recipients receiving 0 to 200 SRD per month, which amounts to between 0 and 60 euro.

Table 5.21: Ethnic groups and amount of money remitted per month

Surinamese Dollars per month	Hindustani	Creole	Javanese	Maroon	Mixed
0-200	20	54	17	20	15
201-400	60	29	67	40	62
401-600	0	4	0	20	0
601-800	0	0	17	20	0
801-1000	0	0	0	0	8

Over 1000	10	7	0	0	8
No response	10	7	0	0	8
Total	100	100	100	100	100

Source: Own Survey, Paramaribo 2006

Another important source of remittances comes from in kind remittances, which may be in the form of packages or goods sent to Suriname. We see the same relationship with regard to in kind remittances as we saw earlier for monetary remittances. Creoles receive the most in kind remittances, constituting 41% of all in kind remittances. Mixed come in second receiving 28% of total in kind remittances.

Table 5.22: In kind remittances by ethnic group

Ethnic group	Percentage
Hindustani	16
Creole	41
Javanese	10
Maroon	6
Mixed	28
Total	100

Source: Own Survey, Paramaribo 2006

From the above tables, it becomes distinctly clear that Creoles receive remittance more than any other group. It is also clear that they usually receive smaller amounts than other ethnic groups but may receive these amounts more often. It seems that remittances are important for most groups but in different ways. We will now explore the reasons and uses for remittances received in the next section.

6. Goals, Purpose, Uses of Remittances

In this section we will explore the purposes for money sent, purposes for money received and uses of monetary remittances.

According to our interviews in Suriname, we found that Creoles are known for using their money received for immediate consumptive purposes. They usually have more of a need, especially since the Creoles are the highest group of unemployed persons (at least formally). We also saw in the earlier sections that they had the lowest income on average compared to their ethnic groups. We were also informed in our interviews that Hindustanis usually receive money for investments. The Chinese deal more in cash transfers (carrying the actual money) (Interview Doctor).

We can also see from earlier sections that there is a trend in increasing remittances. Through our household survey, we also found that 34% of people receiving remittances stated that they obtain more monetary remittances than usual in certain periods. Their reasons for this are as follows:

Table 6.1: Reasons for more money received

Reason for more money received	In percent of remittance recipients
Need	17%
Economic downturn in Suriname	14%
Sender's income increased	0
Lower fees for sending money	4%
Other	7%
Total people receiving more money during certain periods as a percent of total remittance recipients	34%

Source: Own Survey, Paramaribo 2006

We can see that need and economic downturn score the highest in the table above. We can also interpret economic downturn as a time when people “need” more money. Lower fees for sending money seem to have a small impact. Those surveyed were also asked whether remittances have increased, decreased or staying the same over the time that they have been receiving them. 8% stated that remittances have increased, 32% stated that they have decreased and 53% stated that they have stayed the same. These are strange findings, since we see from other statistics in the above section that remittances have increased over time. Perhaps this just means that the reason for an increase in remittances is an increase in recipients, not necessarily that current recipients are having more money sent to them.

In the following two tables we can see the difference in the actual use of money sent to recipients in Suriname and the reason money is sent. When households were asked what they use the money received for, they were able to choose all answers that applied. 81% of remittance recipients used the money for everyday consumption, 14% used the money for medical expenses, 14% spent their money received on education, 27% saved the money, 8% invested it and 24% used the money for other expenses. The answers for sending and receiving differ with some respect. Again respondents were able to state all answers that applied. 64% of remittance recipients stated the money was sent to help finance household expenditure, which can be see in line with daily consumption usage. 58% stated that money was sent for special occasions, 22% had a family agreement to send money, 8% received money for investment (which is also in line with usage) and 5% sated other reasons.

Table 6.2: Uses of money received

Use	In percent of remittance recipients
Every Day Consumption	81
Medical Expenses	14
Education	14
Saving	27
Investment	8
Other	24

Source: Own Survey, Paramaribo 2006

Table 6.3: Reasons money is money sent

Reason money is sent	In percent of remittance recipients
Special occasions	58
To help finance household expenditure	64
Agreement with family	22
Investment	8
Other	5

Source: Own Survey, Paramaribo 2006

In this section, we were able to observe remittance behaviour with regard to uses and reasons for money sent. It is clear that the sender and recipient objectives only line up in certain areas such as household/everyday consumption. We also saw the reasons for which people receive more money at certain times than others, which was mainly due to need or an economic

downturn in Suriname. We also saw that most people have not seen an increase in remittances over time, so the increase in aggregate remittances over time must be due to other factors such as more people receiving remittances. We now turn our attention to what is actually being sent.

7. Kind and frequency of transactions

7.1. In kind remittances

As explained earlier, there are both monetary remittances and in kind remittances, which consist of packages and goods sent. In this section we will examine what is being sent through in kind remittances. According to the Paramaribo 2006 Survey, 52% of interviewed households stated that they receive in kind remittances regularly and 47% stated that they receive monetary remittances. We have seen a steady decline with regard to in kind remittances over the past years as monetary remittances have increased. In kind remittances make up approximately 10% of the value of total remittances.

From both the SWI 1999/2000 survey and our survey, we find that people usually receive packages between 1 and 4 times per year. We can also see that the most favoured way of sending in kind remittances is through the mail, although a substantial amount of people also receive in kind remittances by way of a family member bringing them on a trip to Suriname. Food and clothing seem to be the most popular items sent from the Netherlands to Suriname.

Table 7.1: Percentage of people receiving a certain number of packages per year

Number of packages received per year	Percent of people receiving packages
1 to 2	61
3 to 4	22
5 to 6	11
9 to 10	2
More than 10	3

Source: SWI 1999/2000

Table 7.3: Frequency of in kind remittances for those receiving in kind remittances

Frequency	Percentage
Weekly	0
Twice per month	9
Monthly	14
Every 3 months	29
Every 12 months	19
Other*	28

*Usually 2 or 4 times per year

Source: Own Survey, Paramaribo 2006

Table 7.2: Type of in kind remittances received

Type of in kind remittances	Percentage receiving
Food	50
Clothing	42
Appliance	12
Car	0
Miscellaneous items	12
Other	4

Source: Own Survey, Paramaribo 2006

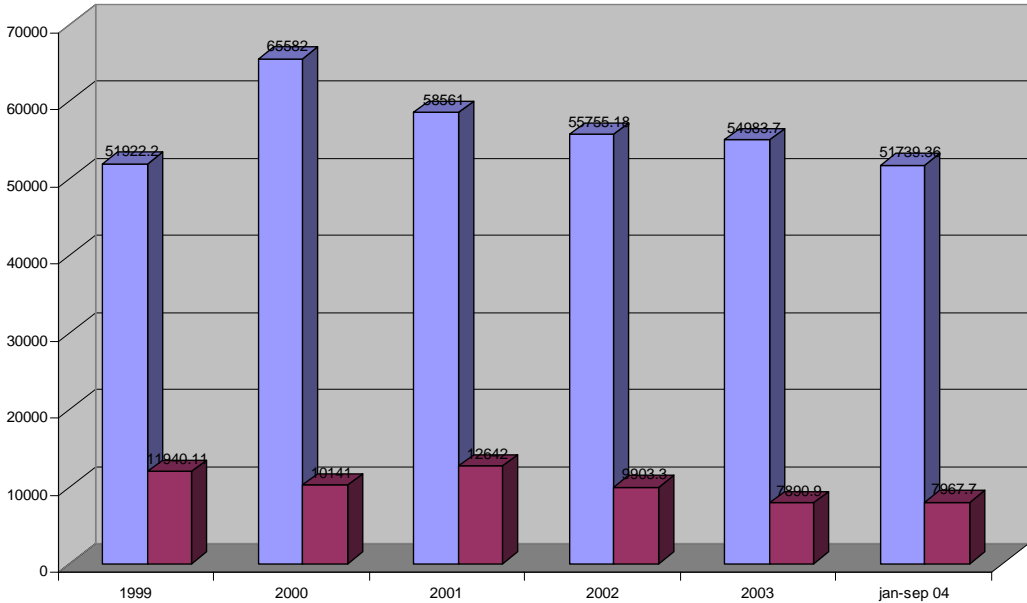
Table 7.4: How in kind remittances are received

Mode of delivery	Percentage receiving
Mail	85
Family member carries on a visit	40
Other person carries on a visit	17
Other	1

Source: Own Survey, Paramaribo 2006

From the following table, we can see that in kind remittances (at least in the form of packages) have decreased over the five years preceding 2005. This holds with the theory that as more money is sent to Suriname, there is less need for in kind remittances to be sent. There were 32,654 packages received by Surpost in 2005 which is significantly lower than the previous years. Approximately 80% of these packages are from the Netherlands and each package contains an average of €200-300 worth of goods. The largest number of packages was sent in the 1980s²⁰, but from the 1990s on, people seem to have started sending money instead of packages. Using the values in Graph 7.1 we are able to calculate the estimated value of in kind remittances received in 2003 and 2004. We find the estimated value of in kind remittances for 2003 between €11.1 and €16.5 million and between €10.4 and €15.6 million for 2004. Using the lower end (\$51 million) and the higher end (\$200 million) of estimates of total remittances, we see that in kind remittances are between 8% and 30% of total remittances with the most likely percentage being between 10 and 15% of total remittances.

Graph 7.1: Non-business mail January-September 1999-2004
social mail stats jan-sep 1999-2004



Source: Surpost

7.2. Frequency of Transactions

From the survey of the Consumentenbond in the sending country (the Netherlands), one can see that on average 777 euro per year is being sent from the Netherlands to Suriname. On average 347 euro is sent per transaction (Consumentenbond 2005). From commercial money transfer agents, we learned that between 350 and 450 euro per transaction is a good estimate of the amount sent. However, the amounts also fluctuate quite to a great extent and the sending pattern is not regular. From the Consumentenbond survey, we see that about one third of senders send an amount only once a year, about half of them send twice to four times a year, and only one fifth send money five times a year or more. From our survey, we see also

²⁰ The 1980s were a time in which it was difficult to get goods in Suriname due to the unstable political condition.

see the infrequency of money sent more often than once per month. Our surveys diverge, however, when we look at monthly and yearly estimates (see tables below). There seems to be a high response in both surveys with regard to remittances sent two, three or four times per year.

Table 8.1: Frequency of workers' remittances sent and received

Frequency	Consumentenbond estimates in percent of remittance recipients (2005)	Our survey estimates in percent of remittance recipients (2006)
Weekly	--	0
Twice per month	--	3
Monthly	--	26
Five or more times per year	19	--
Two to four times per year	48	57*
Once per year	33	11
No response	--	2
Total	100	100

Source: Consumentenbond 2005; Own Survey, Paramaribo 2006

*Includes "other" which was mainly between 2 and 4 times per year

According to the table below most people receive between 0 and 400 SRD per time sent. This estimate is below that of the Consumentenbond, who estimated that people send about 347 euro per time. The underestimation of our study could be partly due to the conversions between euro and SRD that people had to do. We believe that these estimates were thought of in euro or dollars and not in SRD.

Table 8.2: Amount of money received on average per time sent

Amount of Money Received (in SRD)	In percent of remittances recipients
0-200	34
201-400	45
401-600	3
601-800	3
801-1000	2
More than 1000	6
No response	6

Source: Own Survey, Paramaribo 2006

Most people receive their transfers in euro and dollars with the majority receiving euro. Although both of these currencies can be easily used in Suriname²¹, there is still a regular need to change money. From the table below, we see that most people exchange money at money exchange offices or individuals offering exchange services, while still others find no need to exchange money. Respondents were allowed to choose all that applied with regard to changing money.

²¹ particularly for more expensive goods

Table: Currency of Remittances

Currency	Percentage received
Surinamese dollars	16
Euro	83
US dollars	7

Source: Own Survey, Paramaribo 2006

Table: Where Remittance Recipients Change Currency

Money Change Location	Percentage used
Bank	5
Currency exchange office	76
Individual offering exchange services	16
Casino	2
Not necessary to change money	10
Other	5

Source: Own Survey, Paramaribo 2006

In this section we observed that most people receive remittances several times per year, usually in euros that are most often exchanged at currency exchange offices. We also saw that the amount people receive per time can vary greatly, but is usually between 50 euro and 500 euro (information from interviews).

8. The Channels through which remittances flow: The First Mile and Intermediary (The Netherlands side of the corridor)

8.1. Corridors and Channels

In this study, we attempt to follow the remittance payments from the Netherlands to Suriname (tracing the flows from the sender to the recipient) in order to identify problems and to find improvements for a smoother functioning of the transfer. The *first mile* consists of the sender, i.e. the Surinamese migrant living in the Netherlands making a transfer of money or goods. The *first mile* happens in the Netherlands while the *second mile* refers to everything that happens between the sending and the receiving of the money or goods. For example, if a Dutch bank involves a money transfer agent like Western Union to pay out the money in Suriname, or if a flight attendant takes the money to bring it to a recipient in Suriname, or if the money is sent by a call-house to a shop from where the recipient has to collect it, this is referred to as the *second mile*. This is the intermediary stage of the corridor. The *third mile* happens in Suriname, which is how do people receive their money or goods in Suriname.

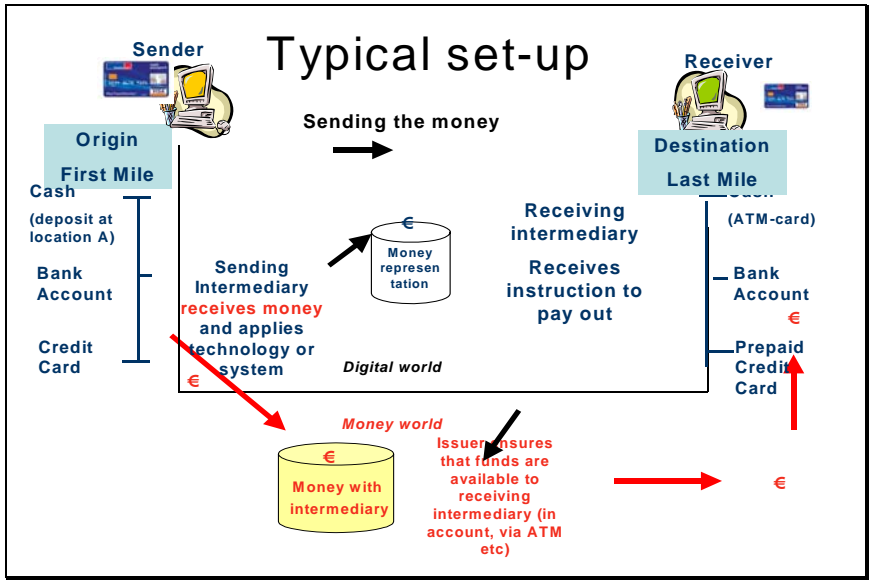
8.2. Various Channels

Remittances can be sent through legal and formal channels, legal and informal channels and through illegal channels. Legal and formal channels are banks and those financial institutions that are registered with the Dutch Central Bank; these are the money transfer agents such as Western Union. Furthermore, a call-house, which has a license from the Central Bank to do money transfer, is a legal and formal channel. Sending money through relatives is legal, but informal. A call-house (belhuis), which is not registered for money transfers, is an example of an illegal channel.

A typical set-up of a remittance flow can be seen in the following graph, which distinguishes the sender (first mile) from the intermediary (second mile) and the recipient (third mile). Remittance instruments are, for example, electronic transfers, money orders, cash couriers, etc. The sender can send the money by making a cash deposit, paying with his credit card or using his bank account in the Netherlands when using one of the formal channels. The money can be transmitted via the “money world” or through the “digital world”. In both cases the intermediary makes sure that the money can be paid out at the receiving end. In the second mile, for example, Western Union Netherlands sends an e-mail to Western Union Suriname to pay out money of a certain amount to a certain person who presents ID and knows the code number that the sender received when he paid in the money in the Netherlands. At the receiving end, the last mile, there is the Surinamese person who either receives cash delivered at home by a cash courier or at a money transfer agent, money on his bank account, or money on a prepaid credit card.

When using an informal channel, sending money by couriers such as suitcases or by ship is a major form of informal transfer. The money is then physically delivered from the Netherlands to Suriname by an intermediary person or the sender himself. The money stays within the `money world` and does not get digitalized.

Figure 8.1:



Source: NVB 2006

A bank in the Netherlands, which has no affiliation in Suriname, transfers the money to an intermediary, e.g. cooperates with a money transfer agent such as Western Union or MoneyGram. The intermediary contacts his affiliation in Suriname who pays the money to the recipient. The money can be paid in cash or via a bank account.

In both the Comsumentenbond survey and our own survey the most important channel used for remittances from the Netherlands to Suriname is a money transfer operator. They account for about 31% and 64% of transactions respectively. The difference in the figures is most likely due to the fact that it is difficult for most remittance recipients to distinguish between a formal and informal or illegal money transfer agent. The second most important are the banks

and being delivered by oneself. Underground banking such as call houses and Hawala account for 13% of remittances, giving cash to others 10%, and to mail or send it in a package accounts for 8% of remittances. Giving a bankcard or a credit card along with others or sending money through the mosque or church are of minor importance (1%). From the table below we see that 50% of the remittances are sent via formal channels, of which money transfers are the most important channel, and 50% via informal channels. It is also interesting to note that most recipients do not report problems with money transfers.

Table: 8.1: Method of sending and receiving remittances in Suriname

Channel	Percentage used by sender in percent of senders (Consumentenbond, 2005)	All channels used by recipient in percent of recipients (Own survey, 2006)	Main channel used by recipient (Own survey, 2006)
Money transfer office	31	64 ²²	45 ²³
Hawala, call houses	13	18 ²⁴	2 ²⁵
Formal and Informal money transfer agents	44	-	47
Bank	19	30	18
Deliver the cash yourself	18		
Give cash to others to take it with them	10	52 ²⁶	30 ²⁷
Mail (in a letter or package)	8	18	3
Mosque or church	1		
Give bank card or credit card along with others	1	2 ²⁸	
Total	100		100

Source: Consumentenbond (2005); Own survey, Paramaribo (2006)

It is important to note the different in perceptions between the Netherlands and Suriname with regard to formal and informal money transfers. While in the Netherlands, there is a clear distinction and understanding between formal and informal providers, in Suriname the lines blur between the two. Most respondents of our survey could not properly distinguish between a formal and an informal money transfer provider when asked. This flows from the fact that so much of the Surinamese economy and way of life is in the informal sector.

²² Respondents were not able to distinguish well between formal and informal money transfers

²³ Respondents were not able to distinguish well between formal and informal money transfers

²⁴ Respondents were not able to distinguish well between formal and informal money transfers

²⁵ Respondents were not able to distinguish well between formal and informal money transfers

²⁶ Includes all family members carrying money

²⁷ Includes all family members carrying money

²⁸ Bank account in the Netherlands

Table 8.2: Problems confronted when receiving money

Problem	Percentage
No problem	88%
Transfer delays	2%
Money did not arrive	2%
Complicated procedure	7%
Other	2%

Source: Own Survey, Paramaribo 2006

8.3. Legal and Formal Channels

Legal and formal channels in the Netherlands are banks and money transfer agents. The Post Office in the Netherlands also has a bank (the Postbank) which is part of the ING group. Since the reform of 2004 there are no more foreign exchange offices or foreign currency bureaus. They have been either transferred into licensed money transfer agents or are no longer in business. In principle one can distinguish the following systems or technologies used for transmitting money which will be discussed in this section:

- Credit-transfers (wire transfer) via the bank using SWIFT. One distinguishes then the correspondent (Dutch bank) and the respondent (Surinamese) bank and talks about correspondent banking.
- Paper based transmitting such as through cheques, vouchers and postvouchers (postwissels)
- use of pre-paid cards, distributed to the recipient and funded by the sender

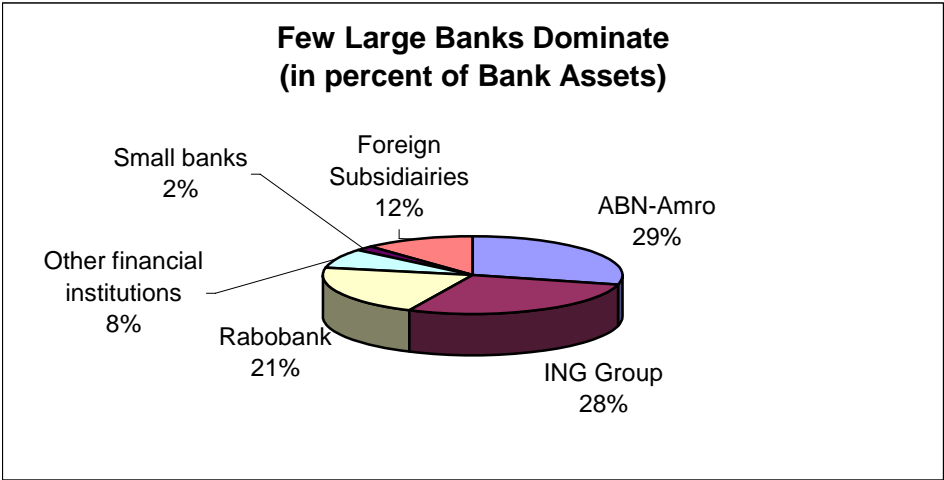
These can be ATM cards, Euro-Pin cards, where the sender loads money on or puts money on an account from which this card can draw money. In Suriname, only Hakrinbank had teller machines which allowed pin cards with Cyrrus sign to draw money from ATM card teller machines.

8.3.1. The Dutch Banking Sector

Banks form the core of the Dutch financial system, with a few large players dominating the sector. These are ABN-AMRO Bank, ING Bank and Rabobank, which share among themselves about 80% of the market (measured in bank assets). In 2003, the market shares were 29%, 28% and 21% respectively (see IMF 2004). The Postbank is part of ING and it operates via all the Dutch post offices and covers about 50% of all Dutch accounts. There are also some other quite sizeable banks such as Fortis Bank.

The large Dutch financial institutions also have major foreign operations. ABN AMRO has major operations in Europe, Asia and Americas (Brazil, US). Important to note for our corridor project is the fact that in the last couple of years ABN AMRO has entirely withdrawn from the Caribbean due to a new business strategy. Now ABN AMRO specializes more in the Asian markets. It also works together with Banco de Brazil but under a different name. Because of aspirations to be listed on the New York Stock Exchange, ABN AMRO has pulled out of some markets and branched into others. Suriname and other Caribbean countries were not profitable enough.

ING Group is mainly focused on Europe (Belgium, Germany, Poland), Canada, the US and Asia. Rabobank has foreign operations in Europe, the Americas, Australia and New-Zealand. After the withdrawal of ABN AMRO there are now no Dutch banks located in Suriname any longer.



Source: IMF 2004

The Dutch banking system is one of the most highly concentrated in Europe. When compared to Italy, the UK or Germany, the Dutch banking concentration scores much higher and comes closest to the Swedish system.

The fact that about 80% of claims of banks are on EU residents and only 20% on non-EU residents shows the importance of the EU and the Euro in Dutch banking. The dominance of the Dutch financial system by a small number of internationally active players makes the Dutch financial system very easily observable. This also means that the integrity of the big financial institutions is essential for its survival.

All Dutch banks can use a US clearing house and US automated clearing houses. The Electronic Payments Network is the only private sector Automated Clearing House Operator in the United States. The Federal Reserve Banks are collectively the nation's largest automated clearing house operator and in 2005 processed 60% of commercial interbank ACH transactions. The Electronic Payments Network (EPN) processed the remaining 40%.

The large Dutch banks do use these clearing houses, for example, ABN AMRO uses the New York Clearing House. Due to the Dutch regulations on banking settlements, money transfer agents have to be customers of a bank in order to use a US Clearing House. However, remittances are mostly not done via US clearing houses but via correspondent banking. The US bank credits a Surinamese bank and debits the Dutch bank. Every Surinamese Bank has a Dutch respondent bank. There is also a whole network of correspondent banking of which the Netherlands is part: EUROGIRO. This is a network where about 30 countries' banks work together via correspondent banking. The main orientation for the Netherlands in this network is Europe. But the network also expands to Brazil and may include Suriname in the future.

As was shown in the table before, about one fifth of remittances (19%) are sent to Suriname via banks. Of these banks, the most important for remittances is ABN AMRO followed by the Postbank, part of the ING bank which uses two labels (Postbank for the small business part and ING Bank for commercial banking). Sending money via the Postbank still follows the old

fashioned procedure. One has to fill in a form and send it by mail to the Postbank which then deals with it (the Postbank prefers no face to face contact with their customer and to provide the service via the mail is much cheaper). There are no money orders used in the Netherlands. The ING bank is the third most important bank for remittances. ABN AMRO, which mainly concentrates on big business and not so much on small sized individual transactions, has a different stand with regard to remittances to Suriname. On the other hand, ABN AMRO was the only Dutch bank which was also present in Suriname for a long while (and only recently sold to RBTT) and is still the correspondent/respondent bank for the largest Surinamese banks.

To conclude, among banks, ABN AMRO is the most popular for sending remittances from the Netherlands, even though its main focus is on big business. Of the Surinamese which use banks, 39% use ABN AMRO. Most of them have an account at ABN AMRO (betaalrekening) and 53% of them use internet to transfer money to Suriname. Surinamese senders using this channel must be familiar with electronic transfers and have access to a computer.

SNS bank was the former savings institute and accounts for 7% of bank remittances. Originally, Rabobank developed from an agricultural cooperative. Its correspondent bank in Suriname is the Landbouwbank, which also deals especially with agricultural matters. Due to the Dutch universal banking system, Rabobank has a dual function as a credit union doing business for agriculture and a bank which does all kinds of normal banking business. This could be the reason why, in the Netherlands, the term credit union was less known to the interviewed people than it would be in countries with a more specialized banking system. Fortis bank is a merger between Verenigde Spaarbank and Generale Bank and works together with the Volkscredietbank in Suriname.

Table 8.3: Most often used bank for money transfers from the Netherlands to Suriname

ABN AMRO	39 %
Postbank	26 %
Foreign banks	4 %
Rabobank	9 %
ING bank	13 %
SNS bank	7 %
Fortis bank	2 %

Consumentenbond (2005)

A list of all registered Dutch banks can be found at the homepage of the Dutch Central Bank www.dnb.nl under registers. For the remittances these 7 banks are certainly by far the most important ones.

When Surinamese people use a Dutch or foreign bank, they seem to prefer to use the internet. More than half of the interviewed people who send remittances through banks (53%) use the internet. 31% send it at the desk, 7% by telephone and 4% on paper.

Table 8.4: Method used when sending money via bank

At the desk	31 %
Internet	53 %

On paper	4 %
By telephone	7 %
Unknown	4 %

Source: Consumentenbond, 2005

A very cheap way of sending and receiving money would be to hold a Dutch bank account and to just withdraw money from the Dutch bank account as need. However, this does not seem to be the case. While 80% of Surinamese households have a Surinamese bank account, only 3% have a Dutch bank account. It may be advantageous to promote more Surinamese dual bank accounts in the Netherlands since this is the least expensive way to send money using a bank between the Netherlands and Suriname. Holding an account in the Netherlands, the sender would deposit money in the account (for free) and the recipient in Suriname would have a bank card to this account and could withdraw the money at an ATM in Suriname at a very low fee (usually around \$2).

Table 8.5: Bank accounts held in Suriname and the Netherlands

	Bank account Suriname	Bank account Netherlands
Yes	80%	3%
No	20%	97%

Source: Own Survey, Paramaribo 2006

8.3.2. Money Transfer Offices MTOs (geldtransactiekantoren)

Since the new supervisory law in 2004 (Wet op Toezicht Geldtransactiekantoren), money transfer offices include and represent the merger of three earlier businesses: money exchange, money transfer and coupon payments from fixed interest rate assets.

Their main task is to deal with cash money. 96% of total receipts of MTOs are cash money and only 4% goes via bank accounts. This form of transfer is particularly important for people who do not have a bank account. In the sending country this is only usually the case for very poor or uneducated people who do not have enough money to have a bank account or who lack the financial knowledge of how to handle it. Furthermore, these people are usually not officially employed, as then they would need a bank account in order to receive their salary. The three main tasks of money transfer offices are as follows:

1. One task is to transfer money from the Netherlands to another country. The turnover of MTOs in 2004 was 325 million euro (in 2003: 255 million euro). Money transfers account for about 25% of the turnover of Money transfer Agents. If cash is urgently needed by the person abroad, if the money is transferred to the family abroad or if the receiving person has no bank account, a MTO is particularly convenient. (We were told in Suriname that banks, such as Hakrinbank also pay out to persons without a bank account, by calling them and letting them collect the money, but they would not do this on a regular basis. They would urge the client to have a bank account)²⁹.
2. Exchange (currency, cheque against cash, cash against credit cards). This is the MOT's largest business and also their original business. They were previously called

²⁹ This service is usually for one time transfers or foreigners travelling to Suriname.

`geldwisselkantoren`/ money exchange offices. In 2004, the turnover from exchange was 536.7 million Euro plus another 30 million from cheques. The amounts are declining (585.1 in 2003 plus 35 mill from cheques) as there is less exchange needed since the introduction of the Euro.

3. Coupons from coupon payments from fixed interest assets (waardepapieren, Wertpapiere). The turnover from this business was 346 million euro in 2004, and 406 million Euro in 2003.

The turnover of money transfers has recently increased (see DNB Statistical Bulletin March 2005 and Consumentenbond 2005).

In the table below, the left side lists all money transfer agents registered at the DNB in the Netherlands. The list can be downloaded under www.dnb.nl register geldtransactiekantoren. In contrast to the list of banks, the names on the list of money transfer agents change quite frequently. This happens due to companies going out of business or losing their license. The DNB does not list the reason an agent withdraws from business (whether for commercial or criminal reasons), but only publishes the list of registered agents. The right hand side of the table lists the transfer system used. In Suriname there are mainly only three international transfer agents present: Western Union, MoneyGram and the Belgium company Moneytrans.

As can be seen from the left side of the table also travel agents, in particular those who are specialized on Suriname, provide remittance services. Furthermore, one money transfer agents, Hulst, and Travelex became reintegrated into their bank (GWK). The reason for this was that since MTOs have to register and report, the bank did not want to have the registering costs and administrative costs of MTO reporting.³⁰

Table 8.6:

Name of Money Transfer Agents as of December 2005	System Used
American Express	Western Union
Cash Expres GmbH	Western Union
Damhotel Lorentz	Western Union
Does Travel Service B.V Travel Agency for Suriname, which does also transfers.	Western Union
Exchange Corporation	Western Union
Hulst (GWK) not there anymore. became part of GWK bank.	MoneyGram
Kaah Express Kaah is also a registered call house, specialized on Somalia.	Own and MoneyGram
MoneyTrans	Own

³⁰ Transactions from €2000 on must be reported.

PNB Netherlands *	Own, Interpay
Pott Change Damrak	Western Union
Ramesh Travel	MoneyTrans
Sunro Change	Iremit and MoneyGram
Suri-Change	Own, became a bank in Suriname
Travelex Nederland BV was from GWK and has for economic reasons been integrated into GWK as BANK (costs of registering, reporting requirements which banks do not have).	MoneyGram
New: Hi Low Travel travel agency plus for transfers	Has its own settlement in Suriname
Unity Monetary Services**	Own and MoneyGram
MoneyGram (new as of 1 April)	MoneyGram
Western Union (new as of 10 June)	Western Union
Atena Money Transfer (new as of 23 June)	Own
Travelex Money Transfer Limited (new as of 13 October)	Travelex Money Transfer Limited
ImZoe (new per 14 November)	Own

*in talks with MoneyGram, now they only service the Philippines but after April-June they will become a MoneyGram agent and be able to send money all over the world.

** Main Business is to Ghana but all use MoneyGram to send money all over the world

Source: left side from DNB, right side own inquiry.

The entire updated list of registered geldtransactiekantoren which are under the DNB supervision can be found under the rubric register wgt of the DNB homepage http://www.dnb.nl/dnb/bin/doc/Wgt%20Register%20per%2015-05-2006_tcm12-60123.pdf

Western Union (in cooperation with Postbank) is the most popular ways of sending money through a MTO in the Netherlands. In the Consumentenbond survey of 2005, they asked those people who prefer to send money via money transfer agents and call houses about their most preferred channels. Of all money transfer office transactions 46% are done through Western Union together with Postbank NL, 27% are done via call houses, travel agents and hawala, 14% are done via MoneyGram, 8% are done via GWK Travelex (now a bank), 4% are done via Goffin Bank which only deals with Suriname, and 1% is done via Cambio which did not get a new license from the DNB anymore. (Also Checkpoint NL does not have a license anymore). In our own research, we also found Suri-change to be an important money transfer agent for the Surinamese. It is a money transfer office in the Netherlands and just became a bank in Suriname.

Western Union has registered in June 2005 to become a money transfer agent on its own; that means it can operate now without a Dutch bank or travel agency. People can pay their money

to Western Union and receive it in Suriname from Western Union some minutes later. The services they offer apart from remittances are Quick Cash and Quick Pay. Western Union also has an online remittance system and Western Union cards which allow transfers without paper work and no need for identification when the money is picked up with the card.

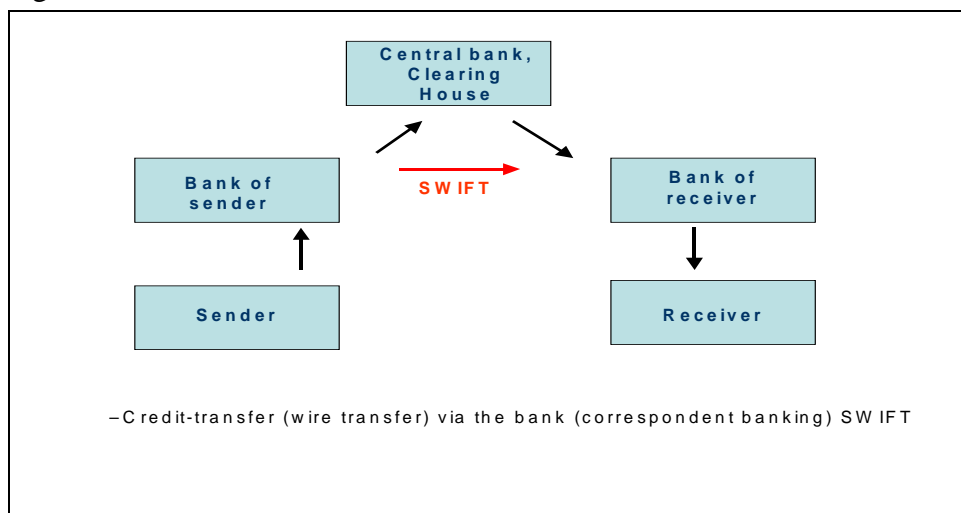
MoneyGram has also recently registered as an own first mile money transfer agent. MoneyTrans, the third provider, also has its own first mile services in the Netherlands.

8.3.3. Providers of the Second Mile

- **Correspondent Banking, SWIFT**

If one bank sends money to another bank in Suriname using the SWIFT system, SWIFT can be seen as the intermediary. This is often used for correspondent banking. With correspondent banking, the Dutch bank, e.g. ABN AMRO has a correspondent bank in Suriname, e.g. DSB Bank which receives money via the SWIFT system.

Figure 8.3:



Source: NVB 2006, plus own modification

- **SWIFT**

SWIFT is an industry cooperative that provides a standard format for transmitting payments, stock transactions, letters of credit and other financial messages to more than 7,500 member banks, broker-dealers and investment organizations around the world. Founded in 1973 as the Society for Worldwide Interbank Financial Telecommunication, millions of transactions worth several trillion dollars are sent each day with an average transit time of 20 seconds. Working like a bank routing number, a SWIFT code is widely used to transfer funds between banks (see www.swift.com).

- **Eurogiro**

Eurogiro provides advanced technology financial services in the cross-border payments business. Members include approximately 30 European banks and postal financial institutions and postal banks. In the Netherlands, ING Bank/Postbank is a member of

Eurogiro. It uses this network mainly for dealing with the Nordic European countries. For Suriname transfers it is relevant that since 1998 Eurogiro has a partnership with Western Union. As can be seen from the following graph, the services of Eurogiro – shown in blue – also extend to South America. Eurogiro also has cooperation with SWIFT.



The *second mile* partly overlaps with the *first mile*, since some of the providers such as Western Union, Moneytrans and MoneyGram are at the same time providers from the *first mile* (money is able to be brought to their offices) and from the *second mile* (money can be sent through Postbank and then Postbank contacts Western Union). But they can also be at the *third mile* (when money is collected at a Western Union office in Paramaribo).

- **Western Union**

Western Union is not only the most popular for sending remittances but also the largest. It usually seeks to provide native language services to communities living abroad, which is not necessary for Suriname since almost all people speak Dutch. Western Union in the Netherlands has informed us that there are 660 Western Union locations in the Netherlands, whereas the Western Union Group in Suriname informed us that there are 450 Western Union offices in the Netherlands. There are 30 Western Union locations in Suriname.

In the Netherlands we were told that Western Union only sends remittances to be paid out in Euro and in local currencies. In Suriname we found out that the money was mostly paid out in US dollars, some agents there did not pay out in Euro. For money to be sent from the Netherlands, the sender must go to a Western Union Agent location and provide the amount in cash that he would like to transfer. He must fill in a form “To Send Money”. (At the other side of the corridor the recipient must fill in a form “To Receive Money” respectively). It is necessary for the client

- to show his passport or identity proof with his name of which a photocopy which may be kept on file in order to comply with the applicable regulatory and AML regulation
- to give his address and telephone number
- to give the telephone number under which the recipient is to be reached
- to give the name of the recipient

- to give the address of the recipient
- to give the sender a Money Transfer Control Number (MTCN), an identification number under which the recipient can fetch the money in Paramaribo by presenting his ID, knowing this number and knowing who the sender is. He also gets asked how much money he expects
- to receive a written receipt

We tried to cheat on both sides of the corridor, either by having forgotten the money transfer control number or by trying not to show our passport, or by not knowing the amount that was sent. Not knowing the exact amount was tolerated in Paramaribo, but we could not send the money from the Netherlands or receive the money in Paramaribo without showing ID or knowing the MTCN code.

Western Union also relies on institutions such as the FATF and the US Treasury Department's Financial Crimes Enforcement Network (FinCEN) and Office of Foreign Assets Control (OFAC) to help provide them with information and recommendations to safeguard their system and their customers.

“For example at Western Union, we compare the names of each sender and recipient of a money transfer to names on government watch lists. If the name of a Western Union sender or recipient matches, or appears to match a name on a watch list, Western Union automatically blocks the transaction and analysis it. If they have doubts they report the transactions to the relevant government authority. These funds can then only be released if the government authority permits it. The majority of transactions which are blocked are cleared within 20 minutes” (Questionnaire Western Union)

The Western Union system is transparent, reliable, secure and fast. There are written receipts and on-line tracking of transaction and in each case the MTCN code, which appears on the receipt, enables the customer to trace his funds.

The limits to be sent correspond to the ones set by the local authorities and the government in each country and Western Union abides by these regulations. In the Netherlands, Western Union must report amounts exceeding 2000 Euro to the MOT as unusual transactions. The sending limit is \$9999.99, chosen by Western Union itself.

Western Union did not name their competitors explicitly but talked about global competitors, niche players and informal suppliers.

Western Union has also launched a remittance card recently (Suriname has had it since January or February 2006). A card holder must present the card to a Western Union agent and then all of their information appears on their computer screen and the money can be paid out without an ID, which makes transactions less cumbersome due to the lack of paper work needed.

- **MoneyGram**

MoneyGram, the second largest money transfer agent, also began to operate on its own in the Netherlands since April 2005. For the rest, MoneyGram operates through a network of agents.

These agent locations are not MoneyGram-owned but are typically banks, travel agencies, bureau de change or post offices. MoneyGram currently offers its service in 53 locations in the Netherlands and 14 locations in Suriname.

From time to time MoneyGram may introduce ‘corridor pricing’ initiatives to attract business in key markets. Corridor pricing gives reduced fees for remittances. At the airport or the train station the following advertisement especially addresses itself to the Surinamese corridor:

“Send money to family and friends in Suriname. Now – for a limited time – only 9,99 Euro no matter how much, your money can be fetched within 10 minutes in Suriname, payment possible in US dollars and local currency”. MoneyGram, GWK Travelex.

For MoneyGram, remittances can only be sent in cash and picked up in cash. There is no minimum transaction size. The maximum value of an individual transaction is EURO 7000. An ID is required for transactions from EURO 850 and above and additional information such as date of birth, occupation, etc. may be required for larger transactions. These are MoneyGram minimum requirements but agents may choose to implement restrictions of their own.

- **MoneyTrans**

Moneytrans is a Belgian money transfer agent, who recently entered the Surinamese market in order to conquer the Euro market. Contrary to the other two providers it deals only in Euro.

There are 5 MoneyTrans offices in the Netherlands:

- Moneytrans Amsterdam I
- Moneytrans Den Haag
- Moneytrans Rotterdam I
- Moneytrans Rotterdam II
- Ramesh Travel Service

There are 11 MoneyTrans offices in Suriname:

- VALEX Exchange Kuldipsingh Group
- Landbouwbank-Hoofdkantoor
- Landbouwbank-Filliaal Nickerie
- Landbouwbank-Bijkantoor Coronie
- Landbouwbank-Bijkantoor Lelydorp
- Landbouwbank-Bijkantoor Kwatta
- Landbouwbank-Bijkantoor Tamanredjo
- IMEX-Hoofdkantoor
- IMEX-Skypportgebouw
- IMEX-Douane visitatiepost
- IMEX-Sarammaccastraat

- **Suri-Change**

An interesting construction and a very important channel for remittances to Suriname is Suri-Change. It is a money transfer agent on the Dutch side and a bank on the Surinamese side. On the Surinamese side, it is considered to be the most important bank for family transfers. Suri-

change can do direct transactions by sending money from the Netherlands directly to its own company in Suriname. Suri-change became a bank in Suriname only in September 2005. Before, it was a money exchange agent on both sides of the channel (Surigoud/Suri-Change in the Netherlands and Suri-Change in Suriname)

- **Automated Clearing House Interpay (2nd mile)**

Interpay was established by the Dutch banking system in order to improve the giro transactions, pinning and clearing for the Euro. They plan to become the clearing house for all of Europe. In 1994, Interpay resulted from a fusion of 3 financial institutions, the Bank Girocentrale (the clearing house of the savings institutions), Eurocard and Beanet for Pinning. They worked together with the German Clearing house Transaktionsinstitut AG and plan fusion for conquering the EU market.

Interpay was set up to get network effects and is used for transfers of all Dutch banks. Remittances can be sent to Suriname via the cash account circuit (girale circuit) to an account at Surpost, the Surinamese counterpart of the Postbank. Interpay is one of the largest automated Clearing Houses in Europe, with its expertise in payment processing. The services go from cash accounting and card related processing to switching, clearing and settlement. In 2005 it routed 1.7 billion ATM cards for authorisation (Annual Report Interpay (2005), www.interpay.nl). At the moment, new systems of sending are being developed.

- **New Surpost/Interpay Electronic transfer**



On July 2, 2006 Interpay and Surpost (Surinamese Post Office) launched a new electronic money transfer system in the Netherlands targeted at money transfers between the Netherlands and Suriname. The new system is called Elektronische Postwissel³¹ (EPW) and is a new way to send money from the Netherlands to Suriname.

There are three ways that someone in the Netherlands can send money to Suriname using this system: Internet banking in the Netherlands, by paper (check or cash payment) or by telephone banking. Using any of the previously mentioned methods, a sender transfers money to Elektronische Postwissel, an ABN AMRO account (49.91.44.130), stating the card number of the recipient and the place from which the money is being transferred. He can do that from any Dutch Bank for free. Once the transfer is made, it will be available on the recipient's card by 9 am (Dutch time) the next working day. Between €20 and €500 can be sent per day at flat cost of € per transfer.

The recipients must obtain an EPW card in Suriname, which costs SRD17.50 or €5 and is valid for 3 years. Each card has a card number and pin code. Recipients may pick up their money by swiping their card and entering a pin code at any EPW card location. They then get a slip with which they can present themselves at the counter. Currently there are 4 locations in Suriname (Paramaribo), which they hope to expand to many more locations by 2007. A 1.5% commission is charged on the amount of money that is withdrawn from the card and payments are always made in Euro. A particularly insightful feature of this new product is the people are able to keep money on their card and pin for whatever amount that is left on the card whenever it is needed. This helps with security, particularly with vulnerable groups so that they do not have to pick up a large sum of money at one time. It is also a way to bank the unbanked and to induce savings. However, it seems a very expensive method for the poorest, since charges are made on both sides and even small amounts transferred are subject to a fixed and, therefore, regressive fee of 9 Euros. The card is intended to possibly become a debit card to be used in shops in the future, but this is subject to the cooperation of the businesses in Suriname. Compared to ATM cards this method of the EPW card for getting cash still seems more cumbersome. Its advantage lies more in the fact that it is safe and induces savings.

³¹ Electronic Post transfer

8.4. Legal but Informal Channels

Originally remittances were sent through informal channels in Suriname. They first developed via Coolie banks, started by the Hindustanis in the 1980's and 1990's as family operators. The families living in The Hague wanted to send money back to their families living in Suriname and did this through their own private channels. Suri-change was the first MTO, and eventually the MTOs replaced the old Cooliebank system. Using informal channels was a tradition among Hindustani people from the beginning, although many other ethnic groups also use informal remittances systems.

Due to their combination of informality, confidentiality, informal control, minimum request of information from customers (which can sometimes be for example, illegal immigrants or legal immigrants with an unclear working status) informal, naïve channels are extremely attractive for immigrants.

- sending the money by mail
- bringing the money on a trip or asking someone else to carry the money to Suriname
- sending the money through churches and other charitable organisations

Sending money by mail in a letter is not often done, as it is considered as being too insecure; it is more often sent with a parcel. Altogether, about 8% of monetary remittances are sent by mail and 10 % are brought personally or through a relative to the recipient (Consumentenbond 2005).

- **through airplane personnel**

Another informal channel sometimes used is to give the money to airplane staff flying to Suriname. Since there are only two airlines flying to Suriname, KLM and the Surinamese airline SLM (and lately only KLM), we do not think that this is a frequently used channel.

8.5. Illegal Flows of Money

Due to their combination of informality, confidentiality, informal control, minimum request of information from customers (which can sometimes be for example, illegal immigrants or legal immigrants with an unclear working status) informal, naïve channels are extremely open to abuse. Thus, the said channels might satisfy the demand for illegal financial services and more specifically, serve for purposes of money laundering and financing terrorism (Masciandaro 2004; see also Nawaz, Shahid 2002).

For sending money to Suriname, this technique might be particularly relevant, since in the Netherlands due to a high presence of migrant workers, there is a whole network of well established informal money transfer possibilities. There is a special television chain for Surinamese people where all kind of package services, call houses etc make advertisement for sending money or parcels back home. There is also a Surinamese newspaper, which advertises informal and partly illegal money channels.

Underground Banking

Underground banking includes all unregulated banking services, and is, therefore, illegal in the Netherlands. The following categories of underground banks, informal transfer agents and call- houses are all overlapping.

- **underground banks**

According to Passas (2003), the success and efficiency of traditional underground banking like hawala has encouraged duplication outside Asia (e.g. Surinamese). In another Passas report (2004) it is explained that in a study of the ECD (Dutch Economic Control Service), which was mainly focused on Surinamese underground banking systems, they found that senders of funds hardly ever need to identify themselves.

In particular, the Hindustani dispose over a well established underground banking system. Underground banking can partly be legal but informal and partly be illegal. The traditional remittance system for Hindustani was the Coolie-system, by which the Hindustanis in the Netherlands sent money through Hindustani stores and call- houses back home. These systems are based on trust and have only slowly and partly been replaced by formal systems of transfers. The fact that they belong to “underground banking” is misleading, since partly they use legitimate channels.

The DNB has reported in previous years that there were some banks operating without a license, which could constitute underground banking. Development- and migrant organizations also report illegally operating money transfer agents. The estimates on the number of underground banks range between about 10 to 100 (see Slot 2005).

- **hawala**

Hawala is an organized system with worldwide office branches under the control of single hawala bankers and a hawala council who fixes rates. One can distinguish the hawala/hundi banking (Indians) and the chiti/chop system (Chinese). The larger hawala/hundi system also extends to South America. Often, hawala is used synonymously for all underground banking (Carroll 2006). This also seems to be the case in the Consumentenbond study (2005) which lists call-houses and hawala into the same category.

- **Informal transfer agent**

An informal transfer agent could be one of the many Dutchmen or Surinamese people working in the Netherlands who has a direct connection with a Surinamese money exchange store (Cambio). This Cambio is usually not registered as money transfer agent in Suriname but only as money exchange agent. The number of an agent can be obtain in several different ways.³² In the Netherlands you call the agent, meet him and give him the cash money that you want to transmit. The agents calls the Cambio in Paramaribo and within a couple of hours one is able to collect the money in Paramaribo from the Cambio.

³² The Cambio in Suriname gives you a little piece of paper on which the mobile number of the agent is written.

There are many informal agents connected with Cambios, Casinos, shops and call-houses in Suriname. This channel is also used for large amounts of money. Drug dealers do not have to bring the money outside the Netherlands anymore. Their informal transfer agent just has to give a phone call to one of the stores or Cambios where large amounts of money are paid out. One can transfer thousands of Euro or dollars within a minute just by phone. Informal agents seem to be the biggest competitors of the formal channels, because they transmit remittances quickly, discretely and reliably.

- **call houses (belhuizen)**

Call houses business set up for making phone calls to (usually) foreign countries, usually at prices that are less than through other phone companies. One can buy prepaid phone cards and the cabins are enclosed so that one can call in privacy. Call houses also often participate in some other form of business, such as running a launderette, being a Turkish butcher or a Surinamese travel agency. Sometimes there are only one or two phone lines, e.g. in a launderette or in a food store, which can be used for making cheap phone calls. The call-houses are very ethnic oriented, which means that the clientele belongs mostly to the same ethnic group. Call houses for Suriname are especially run by Hindustani and Creoles. If they do money transfers, they must register as a money transfer agent at the DNB. There is only one call house in the DNB list of MOs (Kaah Express). This call house only does money transfers to Somalia, Africa. For Suriname, there are travel agencies registered as MTOs (see list above on money transfer agents). Because of this, all the call houses that transfer money to Suriname are illegal, with regard to transferring money.

As has been shown above, about half of all remittances from the Netherlands to Suriname flow through informal and partly illegal channels. This is in line with what has been found in studies for other countries in the 1980s and 1990s. Puri et al (1999) collected estimates from unrecorded remittances for 10 countries. Percentages of unrecorded to total remittances were found in Korea to be 8%, in Sri Lanka 13%, in Thailand 18%, in Bangladesh 20%, in Egypt 33%, in Pakistan, Western Samoa and Tonga 43%, in the Philippines 50% and in Sudan 85% (Sander 2003, p.6 fn6).

The number of call houses in the Netherlands can only be estimated. Some call houses are registered as regular shops at the trade register of the Chamber of Commerce (Kamer van Koophandel), e.g. as launderettes or food stores. A call shop must also register at the Chamber of Commerce and at the supervisory agent OPTA (Onafhankelijke Post en Telecommunicatie Autoriteit) for post and telecommunication, but many of them are very small and do not register.

These call houses are usually not often visible as such from the outside. To execute a money transfer, you must go into the backside or in the cellar of the shop. The amount of call houses in Amsterdam is estimated to be more than 200 (van Traa 2003). Van Traa and his team did an investigation of 116 call houses in Amsterdam. Out of the 116 investigated, 36 call-house owners had a criminal record and had in total a list of 113 criminal incidents. In the investigation, 3 of the 116 investigated call-houses are owned by Surinamese people and 2 were owned by Surinamese Hindustani and by Pakistani people. Surinamese shops and call houses are located in specific streets of Amsterdam next to each other and many of them cannot be identified as illegal money transfer agents.

- **smuggling money**

Smuggling cocaine to the Netherlands and then smuggling cash money through some underground channel back to Suriname is a popular method. However, there are two hindrances. First, carrying cash is heavy and second, there is the danger of getting caught at the border.

The US government estimated that if two-thirds of the illegal drug money (estimated to be 120 billion US dollars per year) was placed in US banks, traffickers would have to place currency weighing about 1,685,000 lbs in 20-dollar bills. If a drug trafficker sells heroin for one million dollars, he or she must transport 22 pounds of heroin, but ends up with 250 pounds of currency (if there is an equal mix of 5, 10 and 20 dollar bills) (see Cuellar 2003, p.13). This means that there is great incentive to place money into the informal or illegal financial system or to use the cover of an existing cash-intensive business.

Second, smuggled cash is at risk of confiscation. In 1998, customs caught 231 people who tried to smuggle cash money over the border, totaling 34 million guilders. During the first 9 months of 1999, 137 people were caught with a total amount of 29 million guilders. On a regular basis, people were caught with more than half a million guilders. (Kleemans et al., 2002 p.107-108).

According to the Meldpunt Ongebruikelijke Transacties (MOT), the total amount involved in executed suspicious transactions in 2004, was €3.2 billion. While the number of reported suspicious transactions coming from Suriname are of minor importance and definitely not listed among the top ten countries of origin (these are mainly developed countries such as the US and the UK), money going to Suriname is among the top ten. In 2004, there were 1200 suspicious transactions to Suriname reported. Together they had a value of 5.4 million euro (see Unger et al 2006 and Table below).

Table 8.7: Number of suspicious transactions in 2004

	Country of destination	Number of transactions
1	Netherlands Antilles	11,640
2	Colombia	2,855
3	Turkey	1,735
4	Suriname	1,200
5	Dominican Republic	1,085
6	Nigeria	755
7	Netherlands	570
8	Spain	505
9	Morocco	470
10	Brazil	310

Source: Unger et al (2006), Chapter 2

8.6. Channels used by Surinamese immigrants

About 81% of workers send their money one to four times per year, 33% send it only once a year, 48% two to four times a year, and only 19% send money more often. Those who send money once a year do this largely through sending cash (35%). The more transactions, the more money transfers, belwinkel, hawala and banks are involved. On average €777 is sent per year, and €347 is sent per transfer (Consumentenbond 2005). Our findings on the other side of the channel largely confirm these findings, but find big fluctuations (see Chapter 9).

It is believed that both the Creoles and Hindustanis remit about the same amount but that the Creoles remit less and more often (about €50-100 monthly), where as the Hindustanis send larger amounts fewer times per year. A possible explanation behind this is that on average the Creoles are poorer and need the extra monthly income on a regular basis, where as the Hindustanis, who are usually richer, use the money for specific purchases or occasions, which are not needed every month.

8.7. Major reasons for using the channels used in the first mile

In other corridor studies, the World Bank distinguishes the following reasons for sending remittances via specific channels (see appendix incentive analysis Canada -Vietnam corridor study, World Bank 2005). These are partly personal and partly economic incentives.

Personal incentives

- more anonymity (no reporting requirements)
- cultural familiarity (ethnic groups may differ)
- personal contacts (for business or private remittances)
- lower risk of being caught at the border
- easier accessibility
- less class or ethnic discrimination
- more versatility, resilience (informal channel can reach places where formal ones are not present; more flexibility of some channels)

Economic incentives

- higher speed
- lower costs
- greater secondary benefits (sometimes ethnic agents provide gifts based on bonus points when sending money, there are no secondary benefits if banks see remittances as a fee-only product rather than as a way of cross-selling other financial services)
- adequate legal/regulatory environment (trade-off between safety and control)

In the 2005 Consumentenbond study in the Netherlands respondents were asked why they preferred money transfer agents and call houses over banks. This information was gathered for all four ethnic groups studied, including Moroccans, Ghanaians, Turks and Surinamese. The study found the following results.

Table 8.8: Reasons for choosing money transfer/ call house (in percent)

Trustable	63
Quick delivery	62
Good experiences	43
Low costs	25
Close to my home	24
Habit	21
Recipient lives close to the place where the money is sent to	20
Good experiences by other people	15
Not much information about myself is necessary	14
Not much information about recipient is necessary	12
No other option for this country	4

Source: Consumentenbond (2005)

The senders' satisfaction with existing services and the nature of any complaints or "wish list" for improved or additional services unfortunately does not list the Surinamese separately and therefore dissatisfaction with Surinamese remittances is difficult to extract. However, one gets the impression that more than 90% of remittances are transmitted on a satisfactory basis. That the transfer takes too long does not seem to be a problem of Surinamese senders when they use money transfer agents or call houses, since the money arrives within minutes. The complaint that the transfer takes too long was however stated from Surinamese people who used banks.

Table 8.9: The number of times something went wrong (representative of all ethnic groups as a whole including Surinamese)

Transfer took too long	14 %
Charged costs were too high	6 %
Money came back	6 %
Money was not received or lost	6 %
Transfer was not done	5 %

Source: Consumentenbond (2005)

The importance that **costs and speed** seem to have comes out from a question asked to Surinamese people and the other three ethnic groups separately. When asked whether they were willing to switch the method of transfer, 33% responded with yes and 27% with maybe. 74% would be willing to switch if the method was cheaper, 40% would switch if the method was quicker and 29% would switch if the method was easier (see Consumentenbond 2005). This shows that for senders to Suriname costs are still a very important element for a using a channel and gives the idea that they are experienced as too high.

Among the personal incentives in the findings of the Consumentenbond, good experience seems to be the most important category. Unfortunately there were no questions on cultural familiarity, but these findings can also vaguely capture it. To trust a channel seems to be most

important. Unfortunately, this rubric is missing in the World Bank classification above. Trust might, however, be due to personal contacts, less ethnic discrimination, and cultural familiarity, categories captured in the World Bank classification.

Among the economic incentives, speed seems to be very important. Quick delivery was important for 62% of the respondents. Costs seem to be also very important since 74% of Suriname would switch to another channel if it were cheaper.

The legal and regulatory environment seems to be such that people prefer not to deal with banks. This seems to be due to the fact that the informal sector and the money transfer agents work reliably. Only 5-6% of those questioned had a complaint that something went wrong with the transfer. Only the speed of delivery seems to be a hindrance. 14% saw this happening. From this one can conclude that the channel as it is, works quite satisfactorily. To convince people to change the channel used, it will be necessary to establish quite attractive incentives.

8.8. Pros and Cons of Various Channels

What are the pros and cons of using formal and informal channels? The formal channels are said to be better because they encourage greater savings, improve the allocation of investment sources, open access to broader range of services, greater opportunities for managing financial risks. Many Surinamese on the Dutch side of the channel do have banking accounts, because most of them are working legally in the country and need a banking account to receive their salary. The Dutch Surinamese are using the formal financial system. Nevertheless, a large part of them do not use the banking system for remittances purpose. The question is, whether macroeconomic effects such as more investment, savings and growth would indeed occur, once one keeps in mind the low volume of these remittances for the Dutch economy.

Against formal institutions speak factor that refer to a `formal` structure which is either not well functioning, because some of the features of modern institutions have not yet been properly installed (such as accounting techniques, checks and balances) or because formal structures function in a non democratic, arbitrary or authoritarian way (such as corruption, taking away property from citizens)

- distrust of the government, not wanting to be traced by the government through an official bank account
- not used to accounting and using formal institutions
- formal structures being abused for corruption

Also these points do not seem to hold for the Dutch side of the channel.

The Surinamese use 50% formal and 50% informal channels and they make very little use of banks, though they are financially educated.

The advantage of opening a bank account and sending money via the bank is that it is safe, in the case that the money does not arrive one has right to claim the money back (either from the bank or if the bank does not pay from the Geschillen Commissie for Banks). The advantage of

using MTOs is that the money is transferred faster, although the service is more expensive and one cannot recur to the Geschillen Commissie. The advantage of using informal channels is that they are fast and cheap, reliable due to the clandestine pressure of ethnic groups. Fraud does not seem to be very frequent in this money transfer business. This means that to the Surinamese people, the banking sector does not display the big advantages of safety and protection, because the other channels provide this too. The Surinamese do not stay away from using the banking sector because it is not good; they stay away because the other channels do not display the usual disadvantages of uncertainty and because they are faster.

9. The Channels through which remittances flow: The Surinamese side of the corridor

9.1. Corridors and Channels seen from the other side

At the other side of the corridor, in Suriname, the remittance channel is easier to observe. Paramaribo is a small town and the formal channels of money transfers were quickly identified. Also some of the informal and illegal channels are relatively conspicuous.

9.2. Various Channels

We distinguished again legal and formal, legal and informal, and illegal channels of money transfers. The channels were similar to those of the Netherlands, except that money transfer offices are to a lesser degree formal in Suriname. There, they do not need a license from the Central Bank (CFATF 2005, p.23) but only have to register. The Surinamese Central Bank also claims that it has no legal power to supervise them (see under regulation). The legal sector in Suriname for remittances consists of banks, credit unions and these unlicensed formal money transfer agents.

The importance of the formal financial sector for the Surinamese people varies. For official salary payments people do need an account. However, the major official salary payments take only place in the state owned sectors and in the sectors dominated by foreign companies. But next to it is also a large informal sector where salaries might be just paid out in cash money. This makes the system more prone to using the informal sector. Compared to the other side of the corridor, having a bank account is not self-evident. (Though as our survey showed, about 80% of the people interviewed, do hold a bank account in Suriname. These are, however, not much used for remittance purposes).

9.3. Legal and Formal Channels

9.3.1. The Surinamese Banking Sector

- **Market Shares**

There are 8 banks in Suriname, which employ about 1500 people, i.e. 2.5% of total employment (see IMF 2006). The three largest banks, which account for a market share of about 70%-80% are RBTT (the Royal Bank of Trinidad and Tobago ltd, with the headquarter in the Port of Spain), DSB (De Surinaamse Bank ltd), and the state owned HAKRIN Bank

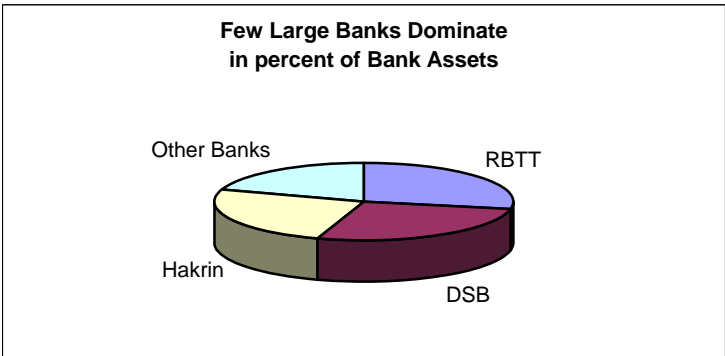
Ltd. In 2004, RBTT, has entered the market and took over ABN-AMRO. Like its predecessor, it is now the only foreign owned bank in Suriname. Since the market entrance of the new player, the ranking of the three top players has changed. RBTT became meanwhile the biggest bank, followed by the former top player DSB and by Hakrin Bank.

Among the five smaller banks, there are three state owned banks: the Surinaamse Postspaarbank (which is separate from Surpost, the post offices), the Stichting Surinaamse Volkscredietbank, and the Landbouwbank. A smaller private bank is Finabank ltd and the latecomer Suri-Change Bank ltd, which switched from a money transfer office to a bank. Suri-Change Bank exists only since September 2005, but Suri-Change N.V. as a money transfer office had been around for more than 20 years. (Note that on the other side of the channel this is still a money transfer office). Graph 9.1. shows the market shares estimates of the Surinamese banks by some interviewees.

At the moment a merger between the three government banks (including VCB, Landbouwbank, and Surinaamse Postspaarbank) is under consideration and also highly recommended by the CFATF (2005). The Surinamese Commercial Banks have their own banking association, de Surinaamse Bankiervereniging

The Surinamese banking sector seems to be a mix of an international oriented well developed system with still some odd old fashioned elements. On the one hand, the big banks have business relations with banks from all over the world. They use the American Clearing System (ACS) if money is transferred in \$ through the US. They use international payment systems. Some of them, including the Surinamese Postspaarbank, have direct cash via ATM machines. RBTT Bank has a money machine for bank cards with Cyrrus sign, which allows to withdraw cash money with European bank cards. On the other hand, to give an example, one of the three largest banks still records by hand what transfers come in from abroad. Also other banks that use the Internet still have long lists of hand written records or computer print outs, which are then further processed by hand. The smaller banks only use a phone and fax machine for the remittance transfers or reporting to the Central Bank. But overall, the highly concentrated Surinamese banking sector seems relatively well developed.

Graph 9.1. Market Shares of Surinamese Banks



Source: Own graph from estimates of market shares

- **Credit Unions**

Beside 8 banks, 10 insurance companies and 31 pension funds, the Surinamese financial sector consists also of 16 credit unions and cooperatives. The Cooperatieve Spaar- en Kredietbank Godo G.A. is the largest credit union in Suriname and will probably soon become a bank. Godo has a market share of about 2%. The cooperative does a few money transfers but this is a small part of its business. As a credit union, Godo does not have to keep the 27% deposit in the Central Bank as commercial banks do.

- **Specialization of banks**

The market leader, RBTT is specialized in the Caribbean banking. Hakrinbank is strong in the business sector, it has about 40% of Suriname's capital transactions. In total there are 235 people working for Hakrinbank. This is about 15% of the banking sector's total employment. The bank deals in all banking services, i.e. loans, investments, accounts, demand deposits, letters of credit. Transfers are only a small part of the business and then it is business transfers and not family transfers. The low importance of transfers reflects in the fact that Hakrinbank has only about 15 people working in the transfers department at the main Hakrinbank and 1 or 2 people working in the transfer department at the other branches. Also for DSB, which is bigger than Hakrinbank and offers a broad spectrum of services ranging from loans, mortgages, to investment funds, transfers are not important.

The government owned Surinamese Postspaarbank started as a savings bank and in 1975 became a normal bank. They currently carry out all normal banking services (savings, credits, loans, foreign transfers) but specialize in mortgages. Transfers are a small part of the bank business but they are now beginning to focus more on this area. The Yokohama Group (one of the country's most important group of drug dealers) holds its accounts with the Surinamese Postspaarbank.

A very small part of the business of the Surinaamse Volkscredietbank comes from workers' remittances. Most of the transfers are from business transfers. Soon they will be working with ABN AMRO particularly for the non-business people that want to send money. For business the VCB bank is dealing more and more with India, China, Indonesia, Japan. They closed their accounts with the US after 9/11 as it became too difficult to deal with the new regulations of the US banks. Money sent from the Netherlands to Suriname through VCB Bank is mainly for investment. Retirees transfer money to buy land, house, etc. About 40% of retirees coming to Suriname are Dutch, not Surinamese as they can have a better life in Suriname, VCB claims.

Finabank does not do money transfers at all. They are now creating a transfers department and will begin conducting money transfers shortly. (The trust company FINATRUST N.V. is the daughter company of Finabank).

The Landbouwbank is a government owned bank whose original business was to give loans to farmers. 50% of the bank's business still comes from agriculture, especially from the rice business, although the bank does offer all normal banking services. Imports and exports receipts usually come from the Netherlands and the US. Transfers are also usually coming from the US and NL. About 40% of transfers are non-business transfers. There are 90 people working at the bank and 5 working in transfers. Remittances are an important part of the

banks business and more recently they have been focusing on it. Recently they started to use MoneyTrans services for transfer money quickly and easily (see also under money transfer agents). But it is still possible for people to make regular bank transfers as they have always done.

Most remittances via the banking sector are done through Suri-change Bank. Suri-change uses its own channel: Suri-Change money transfer office in the Netherlands sends money to Suri-Change Bank in Suriname. All money received by Suri-Change comes from the Netherlands, since Suri-Change does not have branches in any other country. Suri-Change performs all normal banking services but their business is mainly remittances. They also wanted to expand into other fields and, therefore, became a bank. One of the reasons for becoming a bank was to give people a more varied service. They started to see that people might need additional services other than remittances. They saw that some people would take some of the money they received from Suri-Change and put it in a bank account at another bank. The goal of Suri-Change Bank is to become more of an investment bank. In the first 6 months their biggest business was still money transfers, but their medium goal is to increase the credit business and the insurance business.

If one ranks the banks with regard to the importance remittances have in their business, Finabank doing no remittances at all is on the one side of the spectrum and Suri-Change doing only remittance business is on the other side.

IMPORTANCE OF WORKERS' REMITTANCES IN BANK'S TOTAL BUSINESS	
LOW	HIGH
Finabank – VCB- Postspaarbank- RBTT- DSB-Hakrinbank- Landbouwbank-Suri-Change	

- **Accessibility of banks**

The formal sector is concentrated in the capital, Paramaribo, with only a few branches outside it. To give some examples: De Surinaamse Bank has five branches in Paramaribo and two in outside districts (one in the east and one in the west). Hakrinbank has 6 branches with 4 in Paramaribo and 2 in other districts (Nickerie, with 20 people working there and one in Commewijne, with 8-10 people working there). De Surinamese Postspaarbank has the main branch in Paramaribo and another branch in Nickerie. Landbouwbank has six offices, one in Paramaribo and five in the districts of Nickerie, Coronie, Kwatta, Lelydorp and Tamanredjo. There is only one Suri-Change Bank office in Paramaribo, although they do have one outlet in the district next to Guyana. Most Suri-Change customers live close to the Bank (center of Paramaribo); customers usually do not live more than 10-15km away from it. Some bank calls to inform people when money has been transferred to them. The accessibility of banks is very good in the capital and only moderate in the periphery. When customers live further away, one has to recur to a courier system, or other means.

- **Volume and Currencies of Transfers and Remittances**

The volume of transfers and remittances per bank is commercially sensitive information, this is why we calculated only the total volume of incoming transfers and remittances and rank the

banks according to their importance for the remittance business. The total volume of incoming transfers from the Netherlands in the whole banking sector is about €90-100 million, of which about twenty percent or €18-20 million are for non business transfers. These numbers are the sum of estimated amounts given by the people interviewed at banks.

The main currencies used are the \$ and the € People used to send the \$ from NL but now they send the € in most cases because of the strength of the € People usually receive the money in foreign currency and do not change it in SRD at the bank because Cambios offer better rates. People need separate accounts if they receive different currencies. Most people receiving transfers hold a € and a SRD account at banks.

Ranking of Surinamese Banks by Volume of Remittances

HIGH

LOW

Suri-Change, RBTT - DSB, Hakrin – Landbouwbank- Postspaarbank-Volkscredietban-Finabank

- **Social Benefits- The new type of remittances**

Remittance transfers have increased in the last years. Many of the transfers banks receive are from social benefits in the Netherlands, which can range from approximately €400-€1850 per month. Also including these benefit recipients, the average amount of remittances received monthly is approx. €1000. If these benefit recipients are excluded, the average can fluctuate greatly but is on average about €400. Only one big bank and the latecomer in September 2005, Suri-Change Bank, reported on average much smaller amounts of about €50- €100 per remittance. But this amounts to SRD 300 and can still be about half of the income of a poor person. The banks do not see a significant difference in remittance amounts between different months.

One major reason for the increase in remittances is the fact that the government transfers for social benefit recipients in Suriname are growing. The law changed some years ago so that the social benefit recipients do not have to live in the Netherlands to, for example, receive their pensions. Partly as a consequence, there has been a large increase in people coming back to Suriname from the Netherlands in the last two to five years. Banks see a new opportunity to increase the remittance business through these new forms of old age remittances, pensions and social benefits from the Dutch government. They are trying to target the migrants who will be coming back to Suriname when they retire and the Dutchmen who want to retire in Suriname.

- **Banks' remittance business by ethnic groups**

With regard to their customers, all banks service every ethnic group. They do not differentiate between ethnic groups and there is not one group, which is particularly dominant. The only exception is Suri-Change. Approximately 80% of Suri-Change business comes from Creoles. One reason for this is that originally Suri-Change in the Netherlands, (which was before a jewellery store which became then Surigoud and then Surigoud/Suri-Change), only had an office in Rotterdam (where more Creoles live). Another reason might be the fact that many Creoles in Suriname are unemployed and have more of a need for money.

- **The costs of remittances and their speed**

Costs have been relatively stable in the last ten to fifteen years. Before, there was a decrease in costs. Especially in the 1990s, the banks lowered the costs for money transfers in order to attract foreign currency. The reason for this was that during the military coup in the 1980s, it was not possible to get foreign currency, which led to a shortage in currency. The low cost strategy was successful and increased foreign currency money transfers.

All banks charge a ¼% fee of the incoming transfers. Most of them charge a minimum amount of €5 and a max of €50. For out going transfers the cost is higher, it is mostly ½% with a higher minimum of € 7.5 since there is a SWIFT charge of \$5-6 and VAT is 8%. (To send money from Suriname to the Netherlands is common for parents sending money to their children studying in the Netherlands). There are also some special transfer prices charged by some banks for business making large transfers, which will be something below ¾% (0.65%, 0.60%). There is more profit gained from outgoing transfers than incoming transfers. For people in Suriname who do not have an account with the bank but would like to receive a transfer, it is possible to cash the money, but the minimum charge is then increased. This is mainly done for foreigners. If someone continually receives transfers, the banks will encourage him to open an account.

Though banks make a big effort to speed up remittances, the payment order lasts about two working days. Some banks add an extra day once the money has arrived. Other banks try to speed up the procedure when a transfer is made with a value data. They process it immediately so that it can be ready even before the value date. When people present a check or money order, the bank sends the check or money order for collection, in order to control whether it is correct. This can take one to three weeks because the check has to be cleared before the person can receive the money.

- **Correspondent banking and bilateral key arrangements**

Bank to bank transfers are mainly done via correspondent banking. Correspondent banking is very important for bank remittances. Each of the Surinamese banks is the respondent bank of at least one Dutch bank. The most important Dutch Bank is ABN-AMRO, which is the correspondent bank for all the three large Surinamese banks. As has to be expected, for more specialized banks the correspondent bank in the Netherlands does a similar specialized business. Examples are the Landbouwbank and the Surinamese Postspaarbank, which have Rabobank and Postspaarbank as their correspondent banks respectively. The Surinamese Postspaarbank also does business with ING Bank, SNS and ABN AMRO bank. Suri-Change has its own channel. It is a bank in Suriname and a money transfer office in the Netherlands. Volkscredietbank has Fortis as correspondent bank. RBTT bank can deal with almost all Dutch Banks by bilateral key arrangements (see Table 9.1 column 1 and 2) for the correspondent banking relations between the Netherlands and Suriname.

The Dutch correspondent banks seem to charge different fees for transfers to their respondent banks. Two years ago, the most important correspondent bank for Suriname, ABN AMRO started charging a maintenance fee of \$€2.50 extra to its respondent banks per transfer. As a consequence, one of them, Volkscredietbank switched from ABN-AMRO to Fortis, which charges no fee for correspondent banking. The fixed costs per transfer charged by some of the

correspondent banks in the Netherlands might especially lead to relatively high costs for small amounts of transfers for some of the Surinamese banks.

The list below summarizes the findings of the interviews done with banks. The first column lists the Correspondent bank in the Netherlands, the second the respondent bank in Suriname (when seen from Suriname, the first is the respondent and the second one the correspondent bank), the next two columns show the costs of transfers in- and outgoing, the last column is reserved for some additional remarks. The table shows that the big Dutch bank and the Surinamese big banks are well connected via correspondent banking and partly also via bilateral key arrangements.

- **SWIFT**

Only the three big Surinamese banks use SWIFT. RBTT uses SWIFT and SPR (SWIFT Payments Routed which started in December 2005). The latter aims at making electronic system that makes payment faster. The beneficiary comes to the bank and has to identify himself with a passport. He does not need to have an account at some banks. The fastest mode of transferring from a Dutch bank to a large Surinamese bank is through a SWIFT MT103 message. One must indicate the beneficiary, the account number, the values, one's address and phone number and the phone number of the recipient. This takes two working days plus one day has to be added for the bank. The smaller banks do not use SWIFT because they find it too expensive. But also big banks complain that the \$€-6 fee does not really cover the bank's costs for using the SWIFT network. But they feel that they were basically forced to use SWIFT, since the national telegraph company could not deliver an adequate service. In the past some of them, big banks and also smaller banks such as the Surinamese Postspaarbank used TELEX to send transfers, but they found it a slow and unreliable bad system. Now the big banks use SWIFT and internet banking and the small banks, such as Surinamese Postspaarbank have instated internet banking. The latecomer, Suri-Change, tries at the moment to become a SWIFT member. For this an account in Miami is needed, and one has to pay 55.000 US dollar. They find it important to do this, because SWIFT membership is internationally recognized, part of status, is faster and gives more options.

Table 9.1. Correspondent Banking between Surinamese and Dutch Banks

Dutch Bank	Respondent Bank in Suriname	Using SWIFT	Costs of Transfers Incoming	Costs of Transfers Outgoing	General Remarks
ABN AMRO RTTB can deal with almost all Dutch Banks by bilateral key arrangements	RTTB	yes and SPR	¼% with a min of €5 and a max of €50 more expensive for people without an account	½% with a min of €7.5 included is a SWIFT charge of 6\$ and VAT is 8%.	remittances increased possible to cash money without an account

ABN AMRO	DSB ..	yes	¼% with a min of \$5.50 and a max of \$30 (all inclusive charges). People must hold an account at the bank to receive money.	¾ % with a min of \$3 plus SWIFT charges and VAT 8%.	for all kinds of transfers, export import people must hold an account
ABN AMRO, Fortis, ING, Rabobank	Hakrinbank	yes	¼%, with a min of € and a max of €50.	¾% with a min of €10 and no maximum including the SWIFT charge of €5 and VAT	family remittances are only a small part of their business
Fortis recently ABN AMRO	Volkscredietbank	no, use fax machine	¼% with a min. of \$€ and a max. of \$€50.	
Postspaarbank and ING also accounts with SNS and ABN AMRO	De Surinamese Postspaarbank	no, used Telex earlier, now internet banking	¼% with a min of € and a max of €100	¾% with a min of € and no max. Tax is included.	
	Finabank				does not do remittances yet
Suri-Change MTO	Suri-Change Bank	apply for SWIFT	1% of the transaction with a minimum of € euro (including tax).	specialized on family transfers of Creoles

Rabobank	Landbouwbank	no, use fax machine	¼% with a min of € and a no max free with Moneytrans	1% with a min of €15 and no max 3% with Moneytrans	lately cooperation with Moneytrans
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9.3.2. Money Transfer Offices

Money Transfer Offices have already been described under providers of the second mile (8.3.3 Intermediaries). Here only some special features of the Surinamese side will be added. There are several money transfer agents in Suriname but they are all agents of one of the four money transfer network providers:

- Western Union Circle Group and
- Western Union Grobohama
- MoneyGram
- MoneyTrans

Money transfer agents active in Suriname are Western Union Circle Group, Western Union Grobohama, MoneyGram and Moneytrans. In 2004 (i.e. before Moneytrans entered the Surinamese market), money transfer agents conducted an estimate of 600 transaction daily worth €250,000(CFATF 2005, p.7).

- **Western Union**

Western Union is made up of both Grobohama and the Cirklegroup in Suriname. They were together and then split.

Western Union operates through Western Union Surpost via the post offices, Western Union Multi Track Exchange NV, Vernon Trading, Dallax NV. Furthermore, the Western Union Circle Group in Paramaribo consists of Blokker, Debi Supermarkt, Combermarkt, 5 Shell gas stations, Trans American Trading Import and Export , KeystoneNV and Albina.

Money Transfers are also done by Caritrust-Grobohama nv, Central Money Overmakingen Transshipment and Shipping Agent

Sometimes Western Union also has its own counter, e.g. opposite the fancy Torarica hotel. Here they deal only in US dollars, so – contrary to what you have been told at the other side of the channel - you cannot receive the money in Euro. Western Union has a strong market position in Suriname. Nevertheless, we experienced some substantial lack of information with regard to the accessibility and costs at the other side of the channel.

- **MoneyGram**

MoneyGram has fourteen locations in Suriname. It works in Suriname only with a network of agents, such as travel agencies and corner stores. Compared to Western Union, MoneyGram is less present in Suriname.

- **MoneyTrans**

There are altogether 11 MoneyTrans offices in Suriname. It cooperates with one Surinamese Bank, the Landbouwbank which has 6 locations all over the country and with two Cambios, Valex and Imex, mainly located at airports and seaports.

The average amount sent is approx. €200 but varies greatly. It is free to receive money and it costs 3% to send money. Landbouwbank is online with Moneytrans and as soon as they can see the transaction online, the money can be paid. An ID and transaction number is needed to pick up the money but people can sometimes pick up their money only with their ID and without their code. When people haven't shown up they also call them after a while. There are about 10-15 transactions received per day.

The following information has to be given when using Moneytrans (and also other money transfer agents):

Sender

Date

Transaction number

Time

The central code

The name of the recipient

The name

The accountant number of account (like the amount, the status (received or not yet paid))

The passport number of the person who fetched (transferred) the money

9.3.3. Surpost and Automatic Clearing Houses

Surpost works together with Interpay, the Automate Clearing House set up by the Dutch banking association for cross border payments. Interpay provides prepaid Cards for non account holders in Suriname in cooperation with Surpost.

9.4. Legal but Informal Channels

As will be shown under 9.6. Channels Used, informal channels play an important role for remittances. Legal but informal channels used are sending money or parcels by mail, bringing money in cash when visiting or sending it through relatives or other persons that visit Suriname.

9.5. Illegal Flows of Money: Cambios and Casinos

- **Cambios**

The Cambios are also all transferring money and holding a large part of the market in money transfers. Cambios conduct approximately 50,000 transactions each month amounting to some 15 million US dollars (CFATF 2005). According to Surinamese authorities there are 23 Cambios operating in Suriname. Only two of them are also registered as money transfer agents. The large number of Cambios has raised questions with regard to the integrity of the unregulated sector. There are serious doubts whether all Cambios can make a legitimate profit from changing money alone. In addition, the CFATF (2005) estimated, that another 50 Cambios work completely illegally.

- **Some Dubious Backdoors in a Shop**

One interviewed person told us the following story:

Five of his clients (that he knows of) have informal money transfer businesses. They sometimes also have other jobs but their main income comes from informal money transfers. Of the informal operators that he knows, they may receive up to 300 transactions per day and the average amount received per transaction is €100-1000. As far as he knows, the costs from these informal agents to send money is €15 to send any amount up to €1000 and to transfer more than €1000 it will cost a percentage of the transfer (maybe 1% or ½%). These informal transfer operators are using only a phone and a fax machine to conduct transfers`.

- **Casinos**

There are 27 Casinos in Suriname. In accordance with the Gaming Act a license is required to conduct a Casino. There is no legal obligation to do screening of the founders and beneficial owners of Casinos for the submission of a license to operate as a Casino. Casinos are suspected of money laundering. In particular that money is being laundered through local Casinos through parent companies.

9.6. Channels used in Suriname

Both surveys, done from the sending and from the receiving side, confirm that informal channels play an important role for remittances. The Consumententbond study (2005) showed that 18% of senders in the Netherlands delivered the cash themselves. 10% gave cash to others to take it with them, 8% mailed it, and one percent sent it through a mosque or a church. This means that these legal but informal channels accounted for about 36% of all remittances sent. At the receiving side several answers were possible, so that the percentages listed below do not add up to hundred percent. However, one can see that the ranking corresponds to the findings of the Consumentenbond. To send money via family members that come for a visit is the most important legal but informal remittance channel. 52% of recipients used this channel. The major reason for it given was trust. 25% of recipients used also other persons carrying on a visit to Suriname as transmitters. This remittance channel is an important one. It is cheap, trusted, quite safe but not very fast. 18% also used the informal but legal mail channel. The table below lists the formal channels used, seen from the receiving country's side, and in italic the informal legal channels used. In how far money transfer operators and informal MTOs could be distinguished by the people interviewed, stays unclear. In Suriname, people do not clearly differentiate between formal money transfers operatoris, MTOs, such as Western Union and informal MTOs such as Cambios, which mostly do money transfers illegally. Table 9.2 shows the overwhelming importance of money transfer offices for remittance purposes.

Table 9.2. Formal and *Informal legal* Remittance Channel Usage

Channel	Percentage used by recipient
<i>Mail</i>	18%
Bank	30%
Money Transfer Operator	64%
Informal (and Illegal) Money Transfer Operators	18%
<i>Family member carrying on a visit to Suriname</i>	52%
<i>Other person carrying on a visit to Suriname</i>	25%
Bank Account in NL	2%
Other	23%

Source: Own Survey, Paramaribo 2006

9.7. Major reasons for using the channels used in the third mile:

Informal transfers play a large role primarily because informality plays such a role in general in Suriname. When one compares the informal (shadow) economy in the Netherlands of about 12% (see Schneider 2006) with the shadow economy in Suriname, which amounts to about 50%, one must recognize the important role of informality in Surinamese economic and social relations. This informality, indeed, can also mirror in the channels used for remittances.

The reason people use some dubious backdoors in a shop is because they trust the operators and have relationships with them and it is fast and convenient. These users also usually do not trust the government and feel that if they use a more formal way of transferring money that the government will find out about their money and they want to prevent this from happening.. This is the case for even the people that are not holding criminal money. Many are just concerned about the government knowing how much money they have. Although this fear of formal channels might be irrational, it is still the case. Apart from this, informal channels are also an easy way for criminal money to be sent.

The results of our survey study in the table below, where again several crossings were possible, show that trust plays an important role for using family members to bring the money and for using money transfer operators. Money Transfer Operators are more often familiar to the recipients than other channels. They are also the ones, which are preferred for reasons of speed and easy access.

Table 9.3: Reason for Remittance Channel Choice (in percent)

	Only channel known	Trust	Familiarity	Cost	Speed	Safe	Easy Access	Cultural Ties	Other
Post	5	5	10	0	2	2	5	0	0
Bank	3	12	12	3	8	10	5	0	2
Money Transfer Operator	3	19	22	2	31	15	20	0	3
Family*	0	31	8	8	14	15	12	2	2

Other Person*	0	10	8	5	10	7	5	0	2
Informal MTO	0	5	8	0	3	5	2	0	2
Bank Account**	0	0	0	0	0	0	2	0	0

*carrying money on a visit to Suriname

**putting money on a bank account in the Netherlands and the recipient withdrawing money from that account in Suriname

Source: Own Survey, Paramaribo 2006

- **Channels Used for Money Laundering**

Cambios and Casions generally do not comply with the Identification Act. The large amount of Cambios and in particular the 27 Casinos, which recently appeared are suspicious for money laundering. If one compares the relation between the number of Casinos and the amount of inhabitants between Suriname and the Netherlands, the numbers does indeed appearsuspicious. In Suriname there are 27 Casinos for 490.000 people, in the Netherlands there are 12 Casinos for 16 million of people.

Narcotics related money laundering occurs primarily through Casinos, Cambios, gold mining and car dealership. Almost every Surinamese has a second hand car, for which he pays small monthly amounts of cash money directly to the car dealer. The large amount of cash money in these four sectors make them vulnerable for money laundering activities. Money laundering proceeds which are believed to be controlled by both local drug-trafficking organizations and organized crime (CFATF 2005, p.7) take place in these four sectors mainly.

9.8. Pros and Cons of Various Channels

When one looks at which channel is mainly used at the receiving side, then money transfer operators clearly win the race, followed by family. Only 18% of the interviewed people use banks for remittances.

Table 9.4: Main Channel Used

Main Channel Used	Percentage
Post	3%
Bank	18%
Money Transfer Operator	45%
Family	25%
Other Person	5%
Informal MTO	2%
Bank Account in the Netherlands	0

Source: Own Survey, Paramaribo 2006

- **Familiarity**

To sum up, people use those channels, which are familiar to them. Informal channels such as the post, the family, or other persons are used because they always have been used. Word of Mouth is also a very important way of getting to know and using channels. This is particularly important for the usage of informal MTOs, which due to their partly illegal nature, cannot do open advertisement. Formal MTOs profit from word of mouth, the fact that they always have been there and form advertisement.

Table 9.4: Knowledge of Remittance Channel for all Remittance Recipients (percentage)

	Advertisement	Word of Mouth	Always been used	Other
Post ³³	0	29%	71%	12%
Bank ³⁴	10%	27%	43%	27%
Money Transfer Operator ³⁵	21%	40%	32%	8%
Family ^{36*}	0	27%	56%	17%
Other Person ^{37*}	9%	35%	43%	13%
Informal MTO ³⁸	0	53%	33%	13%
Bank Account ^{39**}	0	100%	0	0

*carrying money on a visit to Suriname

**putting money on a bank account in the Netherlands and the recipient withdrawing money from that account in Suriname

Source: Own Survey, Paramaribo 2006

• Trust

People use channels, which they trust. Here MTOs and family score top. 56% of the interviewed persons trust Money Transfer Operators a lot and 46% trust their family or friends a lot. Informal money transfer operators, such as backdoor operators, are not trusted by 42% of the people interviewed. However, as mentioned earlier, there might be some problems of understanding what informal MTOs are.

• Reliability

³³ Only 17% of those receiving monetary remittances used the post to receive the remittances and answered this question.

³⁴ Only 30% of those receiving monetary remittances used the bank to receive the remittances and answered this question.

³⁵ 62% of those receiving monetary remittances used an MTO to receive the remittances and answered this question.

³⁶ Only 48% of those receiving monetary remittances received the remittances through a family member carrying it and answered this question.

³⁷ Only 23% of those receiving monetary remittances received them through another person carrying them and answered this question.

³⁸ Only 15% of those receiving monetary remittances used an informal MTO to receive the remittances and answered this question.

³⁹ Only 2% of those receiving monetary remittances used a bank account in the Netherlands to receive the remittances and answered this question.

There were very little complaints about receiving the money. 88% of the interviewed persons state that there was no problem. 7% complained about complicated procedure. Only 2% found transfers delayed, or complained that the money did not arrive (see under 8.2). There was no clear indication that one of the channels was unreliable. Only the distrust in informal MTOs might be an indication for this. So, all formal and informal legal channels seem to be reliable.

- **Speed**

From all reasons for using channels listed, speed is the most important one. It gives money transfer operators a comparative advantage. Money arrives within minutes, reliably and safe.

- **Costs**

Costs seem to play less of a role in the receiving country. This can be due to the fact that the sender pays all or a large part of the costs. In the receiving countries, the fact that remittances through MTOs cost often twice as much as through banks does not seem to bother many people. Also the fact that costs are regressive does not seem to play a major role here (see next section).

10. Costs and impediments to the use of various channels

10.1. Transaction costs

The literature on institutional economics (see e.g. Olson 1965, North 1990) sees transaction costs as the most important way in which institutions influence economic outcomes. Transaction costs involved in remittances can be material and immaterial. Material costs can be direct and indirect. Direct transaction costs are the costs of sending, that is the fees paid from Surinamese people living in the Netherlands for the money transfer. Indirect material costs are:

- unfavourable exchange rates

The Netherlands is part of the euro zone and has a stable exchange rate. Therefore there is no big exchange rate risk, which would be the reason for using the informal rather than the formal sector. Remittances to Suriname can either be sent and delivered in Euro, so that there is no exchange rate risk, or they can be sent in US dollar. Here the Euro-dollar exchange rate calculated by the different providers can be more or less favourable. This can also mean that transaction costs stemming from exchange rates can be additional costs to the users.

Sometimes neither the sender nor the recipient knows the costs involved. In some countries direct costs are non transparent and difficult to compare. In particular if the sender sends in Euro and the recipient receives in dollar, the more or less favourable exchange rate is difficult to assess. For example we sent via MoneyGram 850 Euro from Utrecht Central Station to MoneyGram Paramaribo. The money can be fetched at any MoneyGram office there. Ours was integrated in a department store. The direct costs were 9,99 Euro. MoneyGram Utrecht only deals in dollars. We changed the Euro into dollar directly at MoneyGram there. The money delivered in Suriname has to be dollars, we were told. The recipient in Suriname got 1077 dollars, but this amounted only to 800 Euro if one would have changed the dollars back

into Euro. So the actual costs due to the unfavourable exchange rate were almost 50 Euro, about 5 times as much as indicated.

- high costs of the intermediary

The Surinamese banks think that SWIFT is too expensive. Some of them, especially the smaller ones, do not provide this service due to the high price of \$5-6 per transfer.

- Other indirect material costs

Besides unfavourable foreign exchange rates, further indirect material costs are the costs of phone calls, or getting to the place where the money is sent or received. The number of affiliations and locations of banks and money transfers in the Netherlands is very high. Access to the formal channels does not seem to be a hindrance. Also in the city of Paramaribo, people have easy access to all remittance channels. On the country side there is less access. Banks are underrepresented there. There are post offices though and money transfer agents. Couriers will bring money on special occasions but it is not the norm. This involves extra costs.

10.2. Risks, uncertainties and trust

The Netherlands ranks at the International Transparency Index number 7 with regard to low corruption. According to the World Values Study Group (1994) ranks the Netherlands as one of the countries with high trust. Within the EU it takes rank number 5 of people trusting other people. There is also a high trust in political, social and economic institutions (see Unger 1997). As the study by the Consumer's Association (2005) revealed, ethnic groups in the Netherlands do use informal channels such as call houses because they know each other, and trust their own ethnic group more than formal channels. However, the fact that many Surinamese people are officially employed in the Netherlands (see chapter 4) and that their pay is transferred to a bank account means that they get trained to using formal channels. It is hence not the distrust of formal channels, which is the reason for using informal channels.

Most Surinamese people are registered. The amount of illegal immigrants is low compared to other ethnic groups, which have much stricter access requirements than Surinamese people. Surinamese people at least in the past had much easier access due to the historic bonds.

Our survey revealed that trust, familiarity with the channel, speed and safety are the major concerns for determining channel usage. People's distrust in the government makes them very often chose an informal channel which does not necessitate to expose themselves to reveal their financial habits and identity. It is hence the distrust on the Surinamese side of the channel which is responsible for the choice of informal channels.

10.3. Material costs and speediness

The fact that banks take too long was the biggest complaint of the consumers (see p.66 Consumentenbond 2005), and for this reason banks are not as popular as other channels for transferring money. According to EU law the transferring of money from one account to the other (`overboeking`) is not allowed to exceed 5 days. Most transfers happen within one day. If we compare this to our findings at the other side of the channel, this perception of Dutch banks is not dealt on the other side of the channel, where we heard that transfers via banks take long. A speed transfer via the Postbank takes 2 days maximum. Altogether one can say that the transfer takes between 1 and 10 days.

Though banks are often cheaper than money transfer agents, they are less popular due to the cumbersome way of transferring. One must fill in forms and send it per mail to the bank, or one must fill in forms at the desk and give a lot of cumbersome information. It also turned out that the interviewed people overestimated the costs of transferring. The costs were estimated to be 6% to 10% of the sent amount (the question was for 100 Euro, see Consumentenbond 2005).

- cost intransparency

The costs of remittances are mainly perceived a problem at the sending and not at the receiving side. The costs of sending money are considered too high in the Netherlands, especially for the fast transfer channels. However, the other side of the channel also has to pay sometimes. Even with new remittance systems that are coming up (Surpost-Interpay), the cost situation is not transparent. The new system of Surpost Interpay costs only 9 Euro for any amount between 20 and 500 euro, the remittance can be withdrawn with a debit card we were told. However, at the Surinamese side the receiver has to pay another 1.5 percent and does not get cash money but only money loaded on his card which he then has to cash at Surpost's cash register. It was very difficult to find out the total cost of a transfer, i.e. the sending plus receiving plus exchange rate fees. This, though each side of the channel gave the impression that the fees are totally transparent.

- cost transparency in the Netherlands

The costs of money transfers have to be transparent in the Netherlands, since consumer protection is one of the regulatory priorities (together with financial market integrity).

As can be seen from the list below, costs for sending 100 Euro to Suriname via money transfer agents are higher and range between 7 Euro (Suri- Change, Moneytrans, Ramesh Travel) to 17 Euro (American Express, Western Union). The Postbank also charges €17.00, the rate of its partner Western Union.

- informal remittance costs are usually lower but at the moment formal remittance costs are also falling due to competition among agents

As our little field study below reveals, prices can be much lower when using informal channels, but also the special offers of transfer agents. The variation in prices and competition were even so high that for one transfer (the Belgian newcomer Moneytrans who entered the Netherlands-Surinamese market) we did not have to pay anything at all.

Field Study: 5 remittances of 100 Euro each sent from the Netherlands to Suriname

“In the last couple of days I have sent 100 Euro to Suriname using five different channels. All five transfers were paid in cash in the Netherlands and could be withdrawn cash in Paramaribo within a quarter of an hour. Money transfers to Suriname can be sent in Euro or in US dollar and can be paid out in Suriname in Euro, US dollar or Surinamese dollar. Suri-Change offered to pay out the money in Surinamese dollars. In this case no costs of transferring money would be involved.

The prices vary quite a lot. The costs of transferring money were between 0 and 12 percent of the amount sent. The cheapest one was Moneytrans. This is a Belgian supplier of money transfers with its own international network – comparable to MoneyGram and Western Union. Moneytrans had an introductory special offer, where a new customer could transfer the first 750 Euro for free. Otherwise the costs would have been 7 Euro, the same as with Suri-Change.

Table 100 EUR Money transfers

From Rotterdam and The Hague to Paramaribo 29th and 30th of March, 2006

money transfer agent	Netwerk	costs (EUR)	costs (%)
Cash Express	Western Union	12,00	12%
GWK Travelex	MoneyGram	9,99	10%
Suri-Change	eigen netwerk	7,00	7%
Moneytrans	Moneytrans	0,00 of 7,00	0% of 7%
Underground banker	own netwerk	4,00	4%

* Special offer. First money transfer till EUR 750 for free. Otherwise costs are 7,00 EUR (7%) for an money transfer from 100 EUR to Suriname.

Suri-Change in the Netherlands. Suri-Change is settled in Rotterdam at the Kruiskade and since recently also in the Hague and Amsterdam. Originally a trader of gold and jeweler, the store has made money transfer a good running business. It was terribly busy in the store. The amounts people sent were relatively small. About 100 Euro. Soon it will also be possible to transfer money to Ghana and the Netherlands Antilles via Suri-Change.

Undergrond Banker. A lot of money runs through an underground banker. This underground banker works as an agent for an exchange office (Cambio) in Paramaribo. He charges a fixed percentage of 4% of the amount sent. When very large amounts are being sent, the price is negotiable. He has a lot of businessmen as customers and tells me that the money between the Netherlands and Suriname flows vividly in both direction. Money is flowing to Suriname but there is also a lot of money coming back. Both from individual banking and from business banking. Once in a while there is a clearing. How precisely this works I did not find out, but my impression was that it went through a regular bank transfer.

- costs are regressive.

The costs decrease relatively with increased amounts being sent. The official money transfer agents mostly calculate a percentage, which decreases with higher amounts being sent. A money transfer from the Netherlands to Paramaribo of 300 Euro costs substantially less, namely between 4% -8%.

Table 300 EUR money transfers from the Netherlands to Paramaribo

Money Transfer Agent	Netwerk	Costs (EUR)	Costs in (%)
Cash Express	Western Union	23,50	7,8%
GWK Travelex	MoneyGram	22,00	7,3%

Suri Change	eigen netwerk	12,00	4,0%
Moneytrans	Moneytrans	12,00	4,0%
'Sam'	eigen netwerk	12,00	4%

- **financial networks to reduce costs**

The money transfer agents that make use of big providers such as Western Union, are often themselves subsidiaries of other large (foreign) financial institutions. These can take charge of the costs for a license from the DNB. So is Western Union in the center of Rotterdam four times present at the central station Once as Cash Express (an office which is related to the Deutsche Reisebank) at the Kruiskade through a shop which is related to the Belgian Goffin Bank, at the Coolsingel through the Postbank and at the Binnenweg through Does Travel.

- **large price differences and movements**

Apart from the general percentages some of the money transfer agents supply special offers for money sent to specific countries Western Union charges for example at the moment for money transfers of 300 Euro to Morocco 12 Euro instead of the standard price of 22 Euro. There are also lower prices for specific countries or lower prices for a specific period of time. One gets the impression that there are quite some price movements and that it, therefore, pays to compare the prices of different money transfer agents before one transfers money.

- **disputable cost transparency of money transfer agents**

Furthermore, one gets the impression that the market is sufficiently transparent. Prices can be compared easily through advertisements, the Internet and at the shop doors. Furthermore, there is a large amount of suppliers guaranteeing an easily reachable access to money transfer agents. In Rotterdam I counted around the station/de Kruiskade five different suppliers of money transfers” (Field Study money from one team member in the Netherlands to another team member in Paramaribo, March 2006)

This impression of sufficient transparency can be misleading. Though it is indeed easy to compare costs on one side of the channel, it is very difficult to compare costs along the channels, since one does not know how much the other side of the channel will have to pay. Very often senders assume that once they have paid the transfer fee, the amount net of this fee will be paid out at the other end of the channel. But this is often not true. The recipients gets also charged, either by fees or by unfavorable exchange rates. Our research team could only find out the true effective price, by comparing what had been sent and what had been finally received.

Cost of sending money to Suriname in Euro in the Netherlands

MTO	50	100	200	300	400	500	600	700	800	900	1000
American Express International Inc Tel: 010-2803000	9.50	17	20.50	23.50	28	32.50	34.50	40.50	40.50	40.50	47.50
Cash Express GmbH 010-270 9988	9.50	17	20.50	23.50	28	32.50	34.50	40.50	40.50	40.50	47.50
Damhotel Lorentz Tel: 020-6240945	9.50	17	20.50	23.50	28	32.50	34.50	40.50	40.50	40.50	47.50
Does travel Service B.V. Tel: 010-4768177	9.50	17	20.50	23.50	28	32.50	34.50	40.50	40.50	40.50	47.50
Exchange Corporation Netherlands 020-624 8120	9.50	17	20.50	23.50	28	32.50	34.50	40.50	40.50	40.50	47.50
Hulst Wissel B.V* (GWK) 020-6246682	9.99	9.99	9.99	9.99	9.99	9.99	9.99	9.99	9.99	9.99	9.99
Kaah Express** Tel: 010-4861555	10	10	10	10	10	10	10	10	10	10	10
Money Trans Tel: 020-4619345	5	7	25	25	25	25	25	25	25	25	25
PNB Netherlands Tel: 020-6202111	do not send money to Suriname now but soon they will become a MonyGram agent and be able to send money to Suriname (approx. April-June)										
Pott Change Damrak 020 6263658	9.50	17	20.50	23.50	28	32.50	34.50	40.50	40.50	40.50	47.50
Ramesh Travel*** 070-3896047	5	7	10	12	12	12	15	17	20	22	25
Sunro Change 020-4199230											
Suri-Change Tel: 020-4685085 Tel: 010-4149553	5	7	10	12	12	12.5	15	17.5	20	22.5	25
Travelex Nederland BV**** Tel: 020-6250922	9.99	9.99	9.99	9.99	9.99	9.99	9.99	9.99	9.99	9.99	9.99
	11.50	15	18.50	22	25.50	29	32.50	36	39.50	43	46.50
Unity Monetary Service											
Atena Money Transfer 020-6121727	Does not transfer money to Suriname										
Travelex Money Transfer Limited											
ImZoe											
MoneyGram***** Tel: 020-5690742	9.99	9.9	9.99	9.99	9.9	9.99	9.99	9.99	9.99	9.99	9.99
	11.50	15	18.50	22	25.50	29	32.50	36	39.50	43	46.50
Western Union Tel: 0800-7363666	9.50	17	20.50	23.50	28	32.50	34.50	40.50	40.50	40.50	47.50 99

List of MTOs as of 20-Dec-05; Costs: own inquiry as of 15 March 2006 and 4 July 2006

*special offer

**it is possible to send up to 8000 euro for 10 euro but it can only be picked up in USD.

*** sending 2000 (~~€~~0), sending 3000 (~~€~~5); up to 3000€ can be sent per person per month.

****9.99 is a special offer that has been going on for quite some time and they do not know when it will end. The other amount is the regular price.

*****same as above

Internet money transfer as of March 2006 (all amounts in Euro)

	50	100	200	300	400	500	600	700	800	900	999.99
Western Union*	9.50	17.00	20.50	23.50	28.00	32.50	34.50	40.50	40.50	40.50	47.50

Source: Own inquiry at Western Union

*€999.99 is the largest amount that may be sent at once. Money transfers can only be purchased using a MasterCard® or Visa® credit or debit card issued by a Netherlands financial institution. The maximum initial send amount for a money transfer is €500,00 or €999,00 per 30 days depending on your transaction history with westernunion.com.

-Money may only be sent online through MoneyGram if one has a US address and SSN.

Bank	Method of Transfer*	Costs (euro)**										
		50	100	200	300	400	500	600	700	800	900	1000
ABN-AMRO	Traditional***	10,00	10,00	10,00	10,00	10,00	10,00	10,00	10,00	10,00	10,00	10,00
	Internet	5,50	5,50	5,50	5,50	5,50	5,50	5,50	5,50	5,50	5,50	5,50
	Cheque****	17,00	17,00	17,00	17,00	17,00	17,00	17,00	17,00	17,00	17,00	17,00
Fortis Bank	Traditional	6,80	6,80	6,80	6,80	6,80	6,80	6,80	6,80	6,80	6,80	6,80
	Internet	6,80	6,80	6,80	6,80	6,80	6,80	6,80	6,80	6,80	6,80	6,80
	Cheque	10,05	10,05	10,05	10,05	10,05	10,05	10,05	10,05	10,05	10,05	10,05
ING Bank	Traditional	7,50	7,50	7,50	7,50	7,50	7,50	7,50	7,50	7,50	7,50	7,50
	Internet	5,50	5,50	5,50	5,50	5,50	5,50	5,50	5,50	5,50	5,50	5,50
	Cheque	10,50	10,50	10,50	10,50	10,50	10,50	10,50	10,50	10,50	10,50	10,50
Postbank	Traditional	7,50	7,50	7,50	7,50	7,50	7,50	7,50	7,50	7,50	7,50	7,50
	Internet	5,50	5,50	5,50	5,50	5,50	5,50	5,50	5,50	5,50	5,50	5,50
	Cheque	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50
Rabobank	Traditional	x	x	x	x	x	x	x	x	x	x	x
	Internet	6,00	6,00	6,00	6,00	6,00	6,00	6,00	6,00	6,00	6,00	6,00
	Cheque	x	x	x	x	x	x	x	x	x	x	x
SNS Bank	Traditional	7,00	7,00	7,00	7,00	7,00	7,00	7,00	7,00	7,00	7,00	7,00
	Internet	5,00	5,00	5,00	5,00	5,00	5,00	5,00	5,00	5,00	5,00	5,00
	Cheque	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50

* All banks require you to have an account at their bank if you want to transfer money

** Quoted tariffs are those of the sending bank in the Netherlands, Tariffs of receiving bank are not included

*** Traditional transfer: to transfer money with a transfer form or in person at a local bank

**** Nowadays, it is quite uncommon to transfer money with cheques in the Netherlands

Source: Own inquiry. We thank Wouter de Kruijf for having helped us to collect parts of the information

As the above table shows, the costs charged in the Netherlands vary quite a lot and show a regressive pattern. To give an example: when one sends money through the Postbank and Western Union, the costs are 19% for 50 Euro sent, whereas they fall to 4.8% for 1000 Euro sent. With Suri-Change, who uses its own network, the costs fall from 10% to 2.5% for the same amounts. The fact that banks have only a fixed tariff also means that their costs are regressive. Regressive costs can certainly be seen as a hindrance, since those who can only afford to send small amounts, usually the poorest, have to pay the largest cost percentage.

The costs charged in the receiving country have to be added. Banks charge ¼% of the transfer sum with mostly a minimum of 4-5 Euro. The same holds for the new debit card service provided through Interpay and Surpost. The new system of Surpost Interpay costs only 9 Euro for any amount between 20 and 500 Euro we were told in the Netherlands. That the recipient in Suriname also has to pay another ¼% in was not mentioned.

- **Taxes on Financial Transfers**

There are no taxes on financial transfers in the Netherlands or in Suriname.

11. Regulations of remittances in the Netherlands

11.1. Regulations Constituting the Channels

- **Licensing**

Banking legislation in the Netherlands does not explicitly define the activities a credit institution may undertake. This is because the Dutch have a universal banking system, which means that a bank can undertake all sorts of business including securities and insurance business. Therefore, the licensing criteria are quite broad ranging (IMF 2004).

Since 2004 not only banks but also money transfer agents need a license from the DNB. Under the Act on Money Transaction Offices of this year, both money transfer agents and former money exchange offices needed a license as MTO in order to stay in business.

Banks need a license from the DNB (plus for securities from the AFM) in order to be able to provide services in the Netherlands. All banks with a license are registered in the register of the Credit Act 1992 (Wet toezicht kredietwezen Wtk). Banks who have a license of another EU country can provide their service under this title. They are then not under the supervision of the DNB but under their respective country and can also be found in the register of the Credit Act ([www.dnb](http://www.dnb.nl), registration 2006).

In order to get a license banks have to have enough financial means, a management that can be trusted and has expertise. Furthermore, they are regularly controlled and supervised by the DNB. Since 2004 banks also must pay the DNB for the supervision.

One can see in the registers that the big banks have several licenses, in particular one from the DNB and from the AFM.

In order to apply for a license for a MTO, a money transfer agent, one has to provide a bank guarantee and to pay supervisory costs. A bank guarantee is only needed for remittances, not for changing money or the coupon business of MTOs.. A bank guarantee has to be obtained from a bank which charges a provision for this. The bank guarantee is necessary to fill the vacuum that emerges during the time between pay out and the possibility of accessing the money.

Operating without the required licence is a regulatory offence under the Act on Economic Offences (Wet Economische Delicten). The Economic Control Agency (FIOD-ECD) is responsible for detecting these offences. The DNB has also the possibility to sanction violation of the supervisory legislation.

- **Reporting**

All institutions that are being supervised must meet certain licensing obligations. Contrary to other countries, they do not face many reporting obligations. Reporting obligation is with suspicious transactions: when money transfers exceed 2000 Euro and exchange transactions exceed 15000 both banks and MTOs have to report this to the MOT. Lately, there is a tendency to reduce information dilution by too much bank reporting. Therefore, subjective criteria gain weigh for reporting suspicious transactions. Furthermore, financial institutions have also the obligation to do some reporting to the DNB.

- **Supervision and control of financial transfers**

The Wet Toezicht Kredietwezen separates prudential supervision (DNB) from conduct of business supervision (AFM). All prudential supervision is in the responsibility of the DNB, while all conduct-of-business supervision is allocated to the Authority for Financial Markets (Autoriteit Financiële Markten, AFM) (see Prast and Lelyeld 2004). Banks are, hence, supervised by the AFM and the DNB.

The supervisor periodically checks the institutions that are under his supervision. The DNB supervises banks and money transfer agents. It can do on site controls and book controls. Since there are only few very large banks in the Netherlands, of which the 3 largest account for 80% of the market, organisation theory would suggest that the control of the Dutch banking sector should be relatively easy. While banks are supervised both by the AFM and the DNB, MTOs are only supervised by the DNB.

For MTOs, there are rules in the Wet Inzake de Geldtransactiekantoren with regard to the integrity of the management and the administrative organization. The DNB controls the procedures for this.

- **No legal limits for money transfers**

There are no rules from the DNB with regard to a limit that can be sent via MTOs. The MTOs set the rules for payment themselves, since they have to pre-finance money and also do not

want to attract big criminal money. The limit is indirectly the bank guarantee. MTOs are not allowed to have money transfers not paid out that exceed the amount of the bank guarantee. This is why MoneyGram has a limit of 7000 Euro, Western Union, e.g. sets a limit of 9999,99 US dollars to be sent.

- **Clearing**

Only Commercial banks have access to the Dutch Central Bank's clearing. Only they can have an account with the central bank. Other remitters will hold an account as a (business) client with a commercial bank. The DNB operates a RTGS (Real Time Growth Settlement System) system, (settlement only), which has restricted access criteria due to the required legal finality of payments. The Dutch aim at a high quality foreign exchange for important transactions that guarantees the money arrives on time. The "rule of large flows of money" (regel van grote verkeerstromen) indicates that one must get access to money via banks and that only banks have access to the DNB (for more details see www.dnb.nl under betalingsverkeer). There are no plans to change this system. Conform to the rule of large flows of money, only banks have access to the US Clearing house and US automated clearing houses.

- **Bilateral key arrangements**

There are bilateral key arrangements (BKA) between Surinamese and Dutch banks. The information about these are not given to the DNB. As we will see on the other side of the corridor, specific Dutch banks work together with specific Surinamese banks and the largest Surinamese banks have bilateral key arrangements, which enable them to deal with all Dutch banks.

11.2. Regulations facilitating or hindering remittances

- There are **no taxes** on financial transfers. This means that people who use an informal or illegal channel do not do so in order to save on transfer taxes. However there are controls on financial transfers such as anti money laundering controls and reporting requirements, reporting requirements for statistical purpose (see under reporting, licensing and supervision).
- There are no **special incentive programs** for Surinamese people to use formal channels. IntEnt. has some programs to initiate entrepreneurship in Suriname. Entrepreneurs wanting to set up a business back in Suriname will usually use formal channels.
- There are no **micro-finance institutions** that deliver remittances in Suriname
- **Formal channels are reliable and there is consumer protection**

Consumer protection has a priority in the Netherlands. The formal Dutch financial regulations in the Netherlands pay a lot of attention to consumer protection. The conduct of business controls of the AFM and the prudential supervision of the DNB both aim at the protection of the consumer.

Sending money through legal and formal channels has for the remittance sender the advantage, that he is partly legally protected if the money does not arrive. When he has sent the money via a money transfer agent, and the money does not arrive, the sender can claim the money back from the money transfer agent. Not paying out is by itself not a reason to withdraw a license. But if there are too many complaints about such behaviour, in combination with other violations of the Wgt, the DNB may conclude that the agency is unreliable, which is a reason to withdraw the license of the MTO.

A non-registered call house, which does unreliable business, is – due to the tight ethnic contacts – very soon out of business for lack of customers due to a loss of reputation. Hence, both the formal and the informal sector have to work reliably, since the network of the ethnic Surinamese groups is tight and the business is centred in some streets of Amsterdam, or other Dutch cities, where one ethnic shop is next to the other.

There are no fraud experiences with regard to remittances, both with banks or money transfer agents. However, there have been some underground banks reported by the DNB (see Slot 2005). (The underground banker that our small research team could identify, was fast, cheap and reliable, we must admit). MTOs which do not fulfil the law, get a fine for sanction and at the worst loose their license. In this case the DNB does not list the reason why the company is not longer registered (the non registration could also be due to the company quitting business voluntarily).

There is no code of best practices on issues related to the transfer and delivery of remittances.

- **Immigration policies**

Sometimes, immigration policy prevents people from using formal channels, as they are illegally in the country. Due to the specific history of the two countries and to the fact that Surinamese people could voluntarily opt for a Dutch passport and get preferential treatment, the amount of illegal Surinamese workers in the Netherlands is certainly lower than of any other ethnic group. Immigration policy rather favoured than hindered people to use a formal channel.

- **Cumbersome procedures**

Given the variety of channels that can be used to transfer money to Suriname, some regulations can hinder the use of formal channels. The higher amount of control, filling out papers, being reported to the Dutch authorities, which on the one hand make a financial formal system work, are on the other side a hindrance for those people who want to stay anonymous and have distrust of the government or any official authority. Apart from this, the major hindering of remittances is seen in the time that the transfer takes.

11.3. Anti Money Laundering Regulations in the Netherlands

The Netherlands has ratified almost all relevant international conventions. It is member of the FATF (Financial Intelligence Task Force), of the Egmont Group, and has a Financial Intelligence Unit, which is called MOT (Melding Ongebruikelijke Transacties).

The legislative framework for criminalizing Money Laundering and Financing of Terrorism is further enhanced by the new Acts of Terrorism. In the Netherlands there are several laws, which deal with combating money laundering. The crime of laundering money is penalised under the Dutch penal code (*Wetboek van Strafrecht*) as fencing.

Guilty of ML is he who hides or disguises the true origin, the source, the alienation, the movement or the place where an object can be found, or hides or disguises who is the rightful claimant of an object or has it available, while he knows/should have known that the object is – directly or indirectly – derived from a crime'. (Objects are all means and property rights). Dutch penal code (translated from the Nederlands *Wetboek van Strafrecht* article 420bis, 420quater en 420ter at 18 October 2004).

Money laundering is a serious offence, for which imprisonment of up to maximum four years in addition to the underlying crime. Next to the penalising of money laundering, the Dutch Criminal Code and the Dutch Criminal Procedure Code (*Wetboek van Strafvordering*) provide for the seizure and confiscation of assets derived from criminal activities, with the objective of depriving criminals (including those who have laundered money) of the profit of their behaviour.

Besides the Dutch Penal Code and the Dutch Criminal Procedure Code, there are some specific anti-money laundering laws, dealing with the role of the financial system in restraining money laundering. Those laws mainly deal with the mandatory identification of customers of financial institutions and the disclosure of “unusual” financial transactions. Apart from that, a specific law for currency exchange offices and money transfer offices has entered into force. Each of those laws has a double goal: on the one hand, the fight against money laundering and terrorism, on the other the integrity of the financial system.

- **Know your customer rules**

As a result of the EU Directive on Prevention of the Use of the Financial System for the Purpose of Money Laundering and the recommendations of the Financial Action Task Force on Money Laundering, on 1 February 1994, the Act on Customer Identification for Financial Services came into force (*Wet identificatie bij financiële dienstverlening 1993*). The most important provision of this Act deals with the obligation for financial institutions to check the identity of (new) customers, either natural persons or legal entities. Under the Act on Customer Identification for Financial Services, financial institutions are defined as banks, investment institutions, securities brokers, investment managers, life insurance companies and life insurance agents, casinos, credit card companies and currency exchange offices. Furthermore, other professions, companies or institutions that are “particularly suitable for money laundering purposes” can easily and quickly be brought under the scope of this Act. Professional service providers like lawyers, real estate agents, dealers in high value goods such as precious metals and stones, jewellery, vehicles, ships, art and antiques must also report to the MOT.

The mandatory identification includes the duty to register some details relating to the identity of the customer. At least the following aspects have to be registered:

- the name and the address of the customer;
- the nature, the number and the date and place of issue of the document used for the identification;
- the nature of the transaction;
- specific information about the value of the goods deposited, a description of the account opened.

Once the identity check is made, the financial institutions have to record the information and keep a record of this for at least five years after the transaction or after the end of the relationship with the customer. Before recording all this information, the financial institution has to check (ask) whether the customer acts as a principal or for a third party. In the latter case, the institution has to verify and register both the identity of the appearing customer and of the third party. There are some exclusions from the mandatory customer identification. Despite these exclusions, the identity check always has to be made in case of an “unusual transaction”, in which case a second anti-money laundering act becomes important: the Act on the Disclosure of Unusual Transactions.

Following the Basel Committee report on “Customer Due Diligence for banks (CDD) and in line with the international trend of moving from a rule based to a more risk based control system, the DNB has introduced the Customer Due Diligence regulation in the Netherlands recently. According to this rule banks have to identify risky customers (for example by making customers profiles).

- **Disclosure of unusual transactions (Melding Ongebruikelijke Transacties MOT)**

At the same time as the Act on Customer Identification for Financial Services, a second important law against money laundering came into force: the Act on the Disclosure of Unusual Transactions (*Wet melding ongebruikelijke transacties*) in 1994. The central provisions of this act contain a mandatory disclosure system: anyone, who makes it his profession or business to provide financial services, is obliged to disclose a (considered or completed) unusual transaction to a Central Disclosures Office (the MOT, *Meldpunt Ongebruikelijke Transacties*) which is an administrative body within the Ministry of Justice and serves as the Dutch FIU. MOT may share all information with police authorities, and general information with supervisory authorities (not reports or other specifics), but they also share information with other FIU and also does so on a regular basis. As well as this MOT also keeps statistics about the amount of suspicious transactions reported, by country of origin and destination. This detailed information is not publicly accessible.

A transaction is to be considered “unusual” when it complies with one or more of the criteria mentioned in the “List of indicators”. This means that only transactions that can be considered unusual *because of the existence of indicators* have to be disclosed. Lists of indicators are made for the financial institutions, mentioned in the Act on Customer Identification for Financial Services.

Other groups such as second hand car dealers, real estate agents, notary publics who should report unusual or suspicious transactions do less so. So far, there has been one suspicious

transaction reported by a notary public. The new trend goes in direction of more subjective criteria for reporting.

All disclosed transactions are received by the Central Administrative Disclosures Office, the MOT. The two most important tasks of the Disclosures Office are (a) to collect and register the disclosed transactions and (b) to analyse and - if possible - upgrade those transactions. If there is a possibility to upgrade a disclosed transaction, the transaction can become “suspicious”. If so, the information will become available for law enforcement purposes. To obtain the required intelligence for upgrading an unusual transaction, the Disclosures Office has the possibility to demand further information from a financial institution.

Already in the first year that the Disclosures Office became operational, around 23,000 disclosures were received, concerning a total sum of 3 billion Dutch guilders. Only 10 % of these transactions seemed to be suspicious, after upgrading. During the following years, the List of Indicators changed and became more efficient. The amount of disclosures became less, but just about the same amount of disclosed transactions - after upgrading to suspicious - became available for law enforcement purposes (see de Doelder et al 469).

In 2004, the MOT reported a value of 3,2 billion of executed suspicious transactions. Suriname is a top country of destination for suspicious transactions. There were about 1200 suspicious transactions reported in the Netherlands with a value of 5,4 million Euro. With this, Suriname was number 4 of all destinations for suspicious transactions. It ranks after the Netherlands Antilles, Colombia and Turkey (see Unger et al 2006, p.69).

In 2005, the enforcement of the Sanction Law 1977 got tightened by the “Regulation Supervision Sanction Law 1977” (Regeling Toezicht Sanctiewet 1977). The Sanction Law obliges financial institutions to screen their administration for names of persons and organizations which are listed on (inter)national sanction lists and whose assets they are required to freeze.

In December 2006 the Third Anti Money Laundering Directive is expected to come into force. This will have to be transposed into Dutch national law.

- **Banking secrecy**

In the Netherlands there is no specific confidentiality obligation for banks or other financial institutions.

11.4. How the Dutch dealt with their “Cambios”

When one looks at the other side of the channel, in Suriname, one sees that Cambios are a big problem for the formal sector. As long as they underbid exchange rates and launder money in an uncontrolled manner, it is difficult to deal with the problem. Supervising and controlling the formal sector while the informal sector has unlimited freedoms, is ineffective. The Dutch had also Cambios, which they called currency exchange offices (geldwisselkantoren), and effectively dealt with them. It seems, therefore, worthwhile to show the history of this regulation.

In the 1990s, at the same time that the Act on Customer Identification for Financial Services and the Act on the Disclosure of Unusual Transactions came into force, there was a

proposal for an Act on Currency Exchange Offices (Wet Inzake de Wisselkantoren). The currency exchange offices were allegedly used for money laundering purposes. The problem was that there was no sufficient supervision of the exchange offices. The reliability and integrity of the directors and other leading persons within the sector of the currency exchange offices could not be checked. Therefore, on 1 January 1995, the Act on the Currency Exchange Offices came into force. The drift of the act is simple. It is forbidden to work as a currency exchange office, unless there is registration in the currency exchange offices register, held by the Dutch Central Bank. Before registration, the Dutch Central Bank checks the reliability and integrity of the directors and other leading persons of the exchange office. Alongside this, there are some requirements with regard to the conduct of business and the administrative organisation of the currency exchange offices. The Dutch Central Bank enacted a special directive for this purpose (Richtlijn Bedrijfsvoering en Administratieve Organisatie).

Registration can be refused when the Dutch Central Bank has reasons to believe that the (persons working at the) exchange office are a threat to the integrity of the financial system, are (possibly) involved with money laundering, or otherwise are not sufficiently capable of complying with the law. For regular financial institutions (mainly banks), it is not allowed to do business with a forbidden (that is: not registered) currency exchange office.

As a result of the Act on Currency Exchange Offices, many small exchange offices, mainly situated in the centre of Amsterdam, disappeared. They could not comply with the demands of the Dutch Central Bank, or were supposed to be involved in money laundering.

The Wet inzake geldtransactiekantoren WGT replaced in 2003 the Wet inzake wisselkantoren Wwk, which was valid from 1995 till 2003. Since then, money transfer offices must register at the DNB and are under its supervision (Wet op Toezicht Geldtransactiekantoren WGT). Reason for this change in law was to fight money laundering. There were some hints that money exchange offices did a lot of money laundering: the origin and destination of the money transfers was not easy to trace. The identification of the persons transferring was also not always clear.

Since the Wet op Toezicht Geldtransactiekantoren money transfer offices must report monthly to the DNB how much money they receive at the cash register and how much they transfer, but not the origin and the destination of the transfers. They must keep their costs transparent to the customer.

12. Regulations of remittances in Suriname

12.1. Regulations constituting the channels

- **Licensing**

Whereas MTOs have to be licensed in the Netherlands, they do not need a license in Suriname (CFATF 2005, p.23). However, they do have to register at the Central Bank. For this reason, they belong to the formal sector for remittances, though the degree of formality is much lower than that of the Netherlands. They have to report to the MOT and, according to the MOT quite a large number of unusual transactions were reported (CFATF 2005, p.23). However they have no license and at the moment also cannot be supervised by the Central Bank.

MTOs need only a license from the Ministry of Trade.

Commercial Banks get their license from the Central bank and must make a deposit of 1,6 million US\$ (4,5 million SRD) there. Cooperatives need not hold deposits at the Central Bank. Trusts need a different license than banks. Trusts have to deposit 250.000 US dollars. The trust companies do higher risk investments than banks. One can get an interest rate, which is about 3% higher than the one offered at the bank, but the trust investments are more risky and the clients take the risk not the bank.

Money transfer agents such as Western Union and MoneyGram are considered almost informal because, although they have to be licensed by the Ministry of Trade, they are not supervised by the Central Bank. They only have to register at the Central Bank. Cambios that conduct money transfers are not licensed for this business, so they are illegal. The FATF (2005) reported that there are 50 Cambios in Suriname that are not only doing money transfers illegally, but also are not registered as Cambios for money exchange.

Before a Cambio can start, it needs a `certificate of no objection` from the CBS. This does not include AML requirements. Cambios must deposit 25.000 US dollars at the Central Bank, but the Central Bank has no legal power to supervise them. MTOs need not deposit, and are also not supervised. Cambio's are regulated by the Foreign Exchange Act mainly for data purposes. Residents can export up to 10.000 US dollars without a license from the foreign exchange commission (deviezencommissie).

- **Reporting**

Reporting must be done by all Commercial Banks, Money Transfer Offices and Cambios. Banks report to the Central Bank: daily-incoming and outgoing transactions; weakly-cash position; monthly their total position. They report their cash position in SRD, Euro and US dollar. Money transfer operators are supposed to report their transfer transactions and Cambios are supposed to report their exchange transactions.. They are only allowed to change money but the Central Bank is also aware that they also transfer money.

The commercial banks send daily reports of their incoming and outgoing transaction to the Central Bank of Suriname. Some do this by fax. This includes all incoming and outgoing transfers, but they are aggregated transfers that also include proceeds of exports as well as personal expenditure remittances and transfers coming from the Dutch government in the way of unemployment benefits, pension payments. This means that workers' remittances data cannot be isolated from this. For each currency they sell or buy they must report separately and keep a separate account.

One concern for reporting and correct documentation are the growing transfers from Chinese people back to China. The RTTB always reports on the outgoing International Transfer form (IT form) that the transfers is for "cost of living" but they are transferring \$20,000 per month, which is probably for buying goods to be shipped back to Suriname.

Apart from this daily currency report there are a weekly reports to the Central Bank which lists the name, the recipient, the currency, the exchange rate, the Surinamese \$ amount and a code. Some of them give this information on a floppy disk to the Central Bank. This information is important for remittances.

Beside reporting to the Central Bank, commercial banks also need to report to the customs and exchange commission (deviezencommissie) for exports and imports, and to the MOT. Transactions, which exceed \$10,000, have to be reported to the MOT on a monthly basis. Not all banks have been reporting to the MOT in the past. They are now starting to report. For example the Surinamese Postspaarbank, which is the bank of the Yokohama Group (drug dealers) have now set up a system for reporting within the bank.

Since August 2005 money transfer agencies (geldovermakingsbedrijven) are obliged to do weekly reports to the Surinamese Central Bank for the balance of payments balance. Incoming and outgoing money transfers of clients must be reported here. They must indicate the amount, the type, the name of the beneficiary and the sender (bekendmaking Centrale Bank van Suriname, 4 November 2005 Paramaribo). Referring to the Law from 20th May 2005 where the banking law of 1956 is changed that money transfers are under the control of the Central Bank.

Cambios must report their daily cash position to the CBS, the unusual transactions every 2 weeks to the MOT and eventually to the Foreign Exchange Commission.

The CBvS reports statistics to the Central Bureau of Statistics.

- **Supervision**

The Banking Supervision Act (OG 1968 no 63) contains the supervisory tools for the Central Bank of Suriname to perform its duties. The CBS is entrusted with the supervision of banks, insurance companies and pension funds. (Suriname has no offshore sector). The CBS supervision is limited to monitoring the solvency and liquidity of the supervised financial institutions. A legal basis for supervision AML guidance is missing in the Banking Supervision Act.

The Central Bank supervises all banks, together with other financial institutions, namely the 13 insurance companies and the 16 Savings and Credit cooperatives. On top of this there is one savings funds, and 10 financial investment companies. Among them are three trust companies, which are daughters of banks. Nationale Trust- en Financieringsmaatschappij ltd is a daughter of Hakrin bank, Surinaamse Trustmaatschappij ltd is a daughter of DSB and Finatrust ltd is a daughter of Finabank.

All other financial institutions are not under the supervision and control of the Central Bank. This means that money transfer agents, and exchange offices are legally not under the supervision of the Central Bank.

It looks as if in Suriname the problem of the Cambios is similar to the Dutch geldwisselkantoren. which were put under supervision by the DNB in 2004 due to the suspicion that they do illegal money transfers and money laundering. Contrary to the Netherlands, Suriname does not seem to have regulated this sector yet completely. The Central Bank has now adjusted their Central Bank Act and they are adjusting other acts of the bank to have more ability to supervise.

12.2. Regulations as facilitators and hindrances of remittances

The Surinamese legal and financial system is very similar to the Dutch. In some respects it seems to lag behind the Dutch system. E.g. money transfer agencies are still operating without being controlled. There seems to be no control of financial markets integrity through the ministry of Finance (Toezicht integriteit financiële marketen) and there is no Wet op Toezicht Trustkantoren, a law supervising trust companies.

- **historic experience and fear that the Central Bank runs out of reserves**

Very often people did not put their money on a bank account of commercial banks as they were afraid that the Central Bank had not enough reserves and that they would eventually lose their money. They preferred to keep the dollars under their bed. This keeps the Cambios so popular where one does not need a bank account.

- **exchange rate gentlemen agreements with some non gentlemen**

In order to stabilize the exchange rate and control inflation, the Central bank gives exchange rate bands to the banks. The Central Bank sets a margin within which the banks can choose the lower or upper limit or in between for the exchange rate they charge to their customers. The uncontrolled Cambio's underbid this quite often.

- **distrust of the formal structures**

There is a general distrust against formal, government regulated structures.

`If you want your tax back in Suriname because you overpaid you know you would not get it back, this makes people very reluctant to pay taxes, there is a lot of corruption, the largest business in the private sector pay about ½% of what they should pay, the small enterprises become the victim, there is a lot of illegal transferring` (one person interviewed)

- **other hindrances**

It is very expensive to buy land (you can only lease it for 30 years). It costs 30.000 Euro per lot, which is the size of a small house. You need another 30.000 to fill it in against flood. Freer land market needed, would give incentive for Surinamese and Dutch people to settle and invest in housing Suriname. the IADB claims. This would bring money flows back to Suriname.

12.3. Anti Money Laundering Regulations in Suriname

Suriname is party to the 1961 UN Single Convention on Narcotic Drugs and the 1971 UN Convention on Psychotropic Substances. It is also party to the 1988 UN Drug Convention . Suriname has also signed and ratified the OAS Convention on Mutual Legal Assistance in Criminal Matters. The design of the Surinamese money laundering legislation is similar to the Dutch, though the sentences differ quite a lot.

There is a high penalty for Money Laundering, the highest penalty is 20 years jail or 750 million Surinamese dollar as compared to 4 years jail in the Netherlands. This is because the Caribbean has stronger prosecution of drugs, these countries produce drugs and use other Caribbean countries for distribution. The public prosecutor told us that people convicted for

fraud and drugs in Suriname in 2004, were from 19 different nationalities, among others the NL, UK, West Africa, South America, Brazil, Colombia, Ghana, Czech Republic, Spain, Morocco, Nigeria, Venezuela, Colombia and Peru. They come to pick-up drugs and take it back to the Netherlands. Smaller portions via carriers (the bolletjeslikkers). Larger portions of drugs are hidden in export goods like in wood blocks and then sent to the Netherlands via Antwerp by ship, to the UK, Africa or Europe.

Suriname's anti money laundering legislation was enacted in September 2002 and became effective as of March 2003. It consists of (see CFATF 2005)

- **The Act Penalizing Money Laundering.** Money or gains that are illegally obtained from serious crime can be sanctioned with 15 years imprisonment and a fine of 500.000 SRD maximum. (In the Netherlands the maximum sentence is 4 years in addition to the predicative crime).
- **The Reporting of Unusual Transactions Act:** All financial institutions, other intermediaries must report unusual transaction to the Surinamese FIU, the MOT, Melding Ongebruikelijke Transacties.
- **The Act regarding Identification by Service providers.** The providers of services mentioned in the legislation have to obtain the identity of their client and keep records of this information and the transaction for at least 7 years.

In addition, 5 Acts were passed through Parliament to make AML policy more effective:

- The Act regarding Confiscation of Illegally Obtained Gains. (Pluk ze Act). It increases the possibilities of seizure and confiscation and includes arrangements for financial investigation
- The Penalization of Organized Crime
- The Penalization of Legal Entities (with this also legal persons can be punished)
- The Act regarding the Protection of the Endangered or Threatened Witness
- The Act Mutual Legal Assistance

Bank Secrecy

Suriname has no bank secrecy laws. The Attorney General's office can directly obtain information from the banks upon request.

- **The Act regarding Identification by Service Providers without sufficient compliance**

The Act regarding Identification by Service Providers (LIF Act), says that all providers of financial and non-financial services are obliged to establish the true identity of their customers before rendering any financial services. Banks, Cambios, stockholders, life insurance companies, money remitters, credit unions, notaries, real estate agents, accountants, administrative offices, law firms, traders, traders in gold, other precious metals and precious stones, car dealers, gambling businesses and casino's are subject to the provision of this law. Furthermore, they have to keep records for at least 7 years.

While the new regulations make it important that banks know their customer, other channels tend to ignore them. Commercial banks must fulfil the international compliance rules, the know your customer rule and reporting requirements with regard to money laundering. Banks told us that they are checking their transactions very carefully to make sure that illegal or

criminal money does not enter. They are very concerned with knowing their customer and will close accounts that they find suspicious. However, other institutions do not do this. They create comparative advantage by ignoring the law.

As the CFATF (2005) states, the LIF Act is like the MOT Act lacking of a provision that entrust an authority with the task of the compliance with this Act.

- **the Unusual Transaction Report - the MOT – and lack of compliance**

The MOT was set-up in June 2003 as the FIU of Suriname in order to fight money laundering. The main task is to collect, register, process and analyze reports of unusual transactions received from banking and non banking financial institutions, notaries, real estate agents, accountants, administrative offices, law firms, traders in gold and gambling businesses.

Whereas the Surinamese law is quite modern and includes all kinds of groups, which might be involved with money laundering, the reality is different. At the moment only banks seem to really follow the law and report. So far, there has not been a single report from notary publics or car dealers. Until September 2004 only 7 of the 106 entities registered by the MOT have started to report unusual transactions (CFATF 2005, p.20).

In September 2002, the MOT and the indicators of unusual transactions have been developed. On a quarterly basis the MOT reports to the prosecutor. In 2004 the MOT received reports of 1330 unusual transactions (CFATF 2005, p.20). Till March 2006 there have been 2500 unusual transactions registered of which 90% come from remittances. They have a database but many of the files are still as hard copies and they do not have the tools to process the information. There is data from the banking sector, and some are already registered. A lot receive a fax from the banks for remittances.

The MOT tries to get the service providers to deliver information. Service providers are supposed to send reports every two weeks for remittances higher than 10,000??. If there is a suspicious subjective transaction they must report immediately.

The MOT does not know the number of transactions reported.

The pride of the nation seems to be the one and only money laundering case, the Ruppig – Vernon case, in 2004, which resulted in a conviction of 7 years. The launderer had performed 7 money transfers with separate ID's and even today his nationality is still unknown.

The police cannot act directly when it gets the information from MOT. First they must go to the prosecutor and he can ask the MOT for information. This is for confidentially reasons. They match the data with the police database. The MOT can use the police database but not the other way around.

- **Reporting to the MOT**

Money transfer agents must report transactions of 2000 Euro or more to the MOT, the Melding Ongebruikelijke Transacties organisation, part of the police and of the Ministry of Justice. This amount is much smaller than the report requirement for banks which is 10.000 Euro (in the Netherlands the bank report requirement was increased to 15.000 Euro in November 2005).

Cambios are not allowed to do transfers abroad, only to do exchange. Now they have to report MTO from 2000 Euro onwards every two weeks. So far the Cambios have not reported any unusual transactions (CFATF 2005, p.23).

Reporting obligations are for real estate, car dealers, advocates, lawyers, service providers, and banks, also insurance companies and exchange offices. They distinguish between objective and subjective criteria.

\$10,000 dollars or any amount higher than this. Only insurance companies have to report from \$25,000 onwards. Furthermore, service providers have a mandatory identification act. Know your customer clause. Those exchange offices in the shopping center have no rules, but they change only money against currencies, and they would have to report if you change \$10,000 or more. Whereas, Western Union and the other transfer agents for the transfer of monies abroad have to report from \$5,000 on.

There are exchange offices that have a license, and 22 exchange offices are licensed, a list of these is available from the Central bank. There are a lot of illegal Exchange Offices with no names and Bell winkels which are illegal. There are only 2 exchange offices which are licensed for transfers.

There are subjective criteria of the MOT. For outgoing flows mainly unusual transactions go to the US, a lot goes to Brazil for gold mining and there are also a lot of Brazilians working in the mines. Most suspicious transactions come in from the Netherlands, and there are more suspicious transactions coming in than going out. There has been so far no suspicious transaction from Suriname to the Netherlands registered.

Data that MOT collects are preserved for five years and they think that about 10% of the reported acts are suspicious. When asked for an example of a suspicious case they say that people give the wrong name, for example the same person calls himself Oped, then OP.D, then OPD.e plays with the name, or changes first and last name, or lets transactions be sent to different addresses for example in the same street but with a different house numbers

It looks as if drug dealers, which bring the drugs from Suriname to Holland, tend to bring the sales proceeds back to the Caribbean area. Lately, drug dealers have to look for new alternatives because law enforcement has become stricter for drugs in the Netherlands and for laundered money in Suriname. ID checks have become much stricter with banks. Also the money transfer agencies did not ask for ID's before. Many drug dealers still do not want to go to bank as their name is listed, so the government might be able to trace them..

- **lack of AML law implementation and control**

The CFATF criticizes that in the area of AML there is no regulator overseeing compliance with the prevailing laws and regulations. Not all entities that are subject to Unusual Transaction Reporting requirement are filling in the forms. It is mainly banks who report, and also the international MTOs.

The Surinamese Central Bank (contrary to its Dutch counterpart) refuses to supervise AML. The Central Bank's authority informed the CFATF Mission that it does not consider

supervision of the compliance with the MOT Act a task of the Central Bank, as this is not explicitly stipulated in a legal provision (CFATF 2005, p.14).

- **lack of financial and technical resources**

The CFATF (2005) criticized in his report that the MOT does not have enough equipment. It had at the time the commission was present, only 4 people employed. When we were in Suriname, half a year later, there were only 3 people employed. It consists of only one director, one analyst, and one administrative analyst, a woman who does ICT. They have to fill in the reports received from the banks every 2 to 4 weeks, by hand. These reports staple and are growing steadily. They urgently need another computer, equipment, and personnel. Also the housing of the MOT in the back corridors of a building with a handwritten scribble on a piece of paper saying MOT and security aspects could be enhanced.

The MOT has since 2003 forwarded 8 reports to the Attorney general for registered suspicious transaction. Suriname's pride, the Ruppig –Vernon case, where a money launderer was convicted for 25,000 US dollar and to 7 years of jail, has not since seen a follow up and seems along time ago.

- **custom and tax controllers are sectors with high risk for corruption**

Notably customs and tax controllers have serious problems in their organization (CFATF 2005, p.10).

- **lax law enforcement**

The law on confiscation of proceeds of crime, the `pluk-ze Act` (pluck them) has so far only resulted in the confiscation of SRD 3000, which means less than 1000 US\$.

13. Conclusions and Policy Recommendations

13.1. Introduction

Few countries in the world have probably experienced such a huge brain drain – in relative terms – as Suriname, to its former colonizer the Netherlands. About half the Surinamese population (200,000 out of 450,000) left the country around the time when it gained its independence from the ‘motherland’, the moment when the population could choose between their old Dutch or the new Surinamese nationality. Now, thirty years later, the Surinamese population has grown again to about 450,000, while currently 300,000 people in the Netherlands trace their ancestry to Surinamese. That is, for one Surinamese living in Suriname there is almost one person of Surinamese ancestry living in the Netherlands. As most of those who left were already among the relatively higher educated, they have further increased their level of education and of prosperity.

The counter side of this brain drain is that many former Surinamese in the Netherlands still maintain family ties with the home country. And these ties have become an important channel for remittances. These compensate to some extent for the brain drain: people went, and money

came. This special post-colonial history, resulting in a very high share of the former population living in the motherland, makes the Dutch-Surinamese corridor for remittances a rather special one.

In this study we have investigated this corridor: how much is being sent, who are the senders and recipients, what is the money being used for, how is it being sent, what – if any – are still hindrances to the remittance flow, and how could such hindrances be removed. These are the questions we have addressed in this report and whose answers we will summarize in this conclusion.

The study uses a variety of sources of information. In addition to official statistics and documents we have interviewed a number of knowledgeable experts among others from universities, government authorities and the banking sector, we have conducted a survey among Surinamese, and we have even engaged in little field study and sent some money ourselves through various channels of the corridor.

13.2. HOW MUCH is being sent, also in relative terms?

Not surprising, the Netherlands is the most important country from which Suriname receives remittances. Eighty-five percent of the remittance money flowing into the country came from the Netherlands. The rest came from the US, the Dutch Antilles and others.

Total remittances estimates vary. The Dutch Consumer Association has estimated the remittances from the Netherlands to Suriname to amount to 115 million euro (Consumentenbond 2005). The DNB measured 26 million euro in 2002 and the survey that we conducted on the receiving side comes up with 58 million euro. Our study might underestimate the number, because people might forget presents they received. The Consumer Association, on the other hand, might have overestimated the numbers, because people might want to appear more generous senders than they really are. We have to expect that official numbers are about half of what is actually being sent, given the big size of the informal sector. So, roughly speaking we would estimate 100 million euros in remittances of which 50 million are informal. That is about 13 pct of the official Surinamese GDP, which was 1.1 billion USD in 2004. These remittances are hence an important source of development aid, actually exceeded official development aid by more than five times and Foreign Direct Investment by more than two times. Including the informal sector makes our estimates almost double as high as the ones done by the Inter-American Development Bank which estimated remittances at 51 million USD.

But there is still a larger sum of illegal transfers to be expected. A lot of money in Suriname is drug money. Suriname is a transit country for cocaine from Columbia to the Netherlands and XTC from the Netherlands to the US. Drug proceeds are at least 151 million Euro (if we calculate the Dutch cocaine and XTC prices times the drugs amounts confiscated at the Surinamese border). This is the money, which will be partly sent back to Suriname from the drugs sold in the Netherlands. This would be far more than remittances (50-100 million euro) and development aid (24 million dollars).

Underground banking is well suited for both remittances and drug dealing. People who deal in legal and illegal business on both sides of the channels can send the money via informal transfers. Since money is sent from both sides of the channels, not much clearing is

necessary, and the money does not have to be transported physically. This was indicated to us in an interview with an underground banker. We have the impression that these underground transfer channels are important. We personally identified five such Dutch ‘underground bankers’ more or less by accident, while doing our field work in Suriname. It can be expected that the real number will be substantially larger. Given the importance of these informal channels, it is necessary to gain more control over them, in particular with regard to Anti Money Laundering policies.

• 13.3. TRENDS AND PROSPECTS

What are the prospects for a continuation of this flow of remittances from the Netherlands to Suriname? Could the flow dry up, as cultural and family ties of second and third generation Surinamese-Dutch loosen? Here some competing trends can be observed.

First, the generation borne in the Netherlands will and does – as some of our interviewees remarked - become increasingly disconnected from Suriname. 77 percent of those that migrated to the Netherlands stayed longer than 10 years and may not return anymore. They feel more Dutch than Surinamese

Yet, there is still some fresh migration, notably for educational purposes. Though Suriname has its own public university, the Anton de Kom Universiteit, with faculties of Medicine, Technology, and Social Science, and education is free in the country, studying abroad is still one major reason for migration. The Netherlands is a popular destination, as Surinamese students have more or less equal rights as EU citizens. Remittances, which are saved for the purpose of these expenditures, can be seen as investment in education.

Increasingly however, also the Caribbean becomes a destination. There are special arrangements with Cuba for studying medicine. And more and more Surinamese plan to go to that part of the world. 65% still plan to go to the Netherlands but already 29% plan to go to the Caribbean. This could result in some shift of remittances. Currently, only 6% of migrants are in the Caribbean.

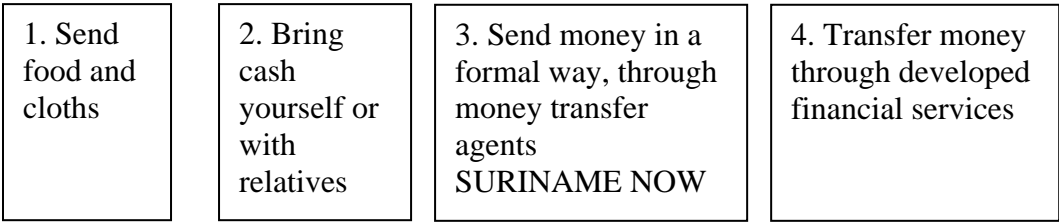
Furthermore, new sources of money flows seem to open up. For one, the Dutch-Surinamese population is becoming increasingly prosperous and better able to send money over. In addition, increasingly both Dutch and former Surinamese retirees are or are planning to spend their old age in Suriname. Pension payments from the Netherlands to Suriname become a larger and larger share in remittances. Remittances from social benefits are a new source of income for the country. Also capital transfers might increase, when people move their properties from the Netherlands to Suriname and e.g. invest in housing. If they keep their Dutch bank accounts and draw on Dutch accounts from Suriname then only current transfers will increase. Retirement and social benefits might become a new and interesting market segment for banks and the rest of the formal sector. Some people might spend the winter in Suriname and the summer in the Netherlands to save on heating costs and enjoy the warm weather. Remittances are, hence, a promising business in the future.

13.4. WHAT is being sent?

In the past, more remittances were sent in kind. Now these make up only about 10-15% of the total value of remittances. They go to about half the population in form of parcels with food and clothes. There is a clear trend from goods to money. Sending packages from the Netherlands has become less common. Surpost saw the number of packages almost halved in 2005 as compared with 2000. By contrast, money transfers have increased.

There have been three steps of development. First there was a shift from in kind to cash monetary transfers via Western Union or informal channels. Now remittances to Suriname seem on their way to a third step, the formal one through accounts and electronic transfers. The fourth step would be advanced development of financial services, mortgage, bond and stock markets.

The transition scheme for remittance development is the following:



The normal frequency of remittances, both in kind and monetary, is between two and four times a year. The average value of a parcel is between 200 and 300 Euro, the average value of a monetary remittance is 400 Euro, but has a high variance depending on the income of the sender, the recipient, and the purpose of remittances.

13.5. RECIPIENTS

Despite the fact that the country is rich in natural resources, Surinamese people do not consider themselves rich. 40% of the Surinamese households surveyed consider their economic and social situation as difficult to very difficult. The average income is about 200 euro per month. Three-quarters of households have an income of less than 600 euro per month. Thus even small remittances can increase household income substantially. They can help alleviate poverty in Suriname.

Approximately 50% of the population receive remittances. They seem to go mostly to poorer and middleclass people. The senders however are typically middle income earners. This flow from middle income senders to lower income recipients is new. Before the migration wave of the 1970s, it was rich people who sent and received remittances. Since then, poorer families migrated, with relations to other poorer Surinamese citizens.

This channel from middle to low income people makes the Netherlands-Suriname corridor special. In Bangladesh the poor are sending to the poor, in the Philippines the poor send to middle income, as other remittance studies revealed.

Two-thirds of the Surinamese are made up of Hindustani and Creoles. Creoles receive the largest amount of remittances. They also receive more often, with 34% receiving remittances monthly and in smaller amounts. They are also more dependent on them. Hindustanis receive less frequently – two to four times a year- but if they do the amounts are higher. They usually receive it for special occasions.

People have been receiving remittances over a longer period of time. At least 21% have been receiving transfer for at least 10 years. However, there are fluctuations depending on the economic situation on the receiving end. In the 1990s the economy fluctuated a lot. A downturn in the bauxite market has an immediate effect on the economy.

Remittances are often not perceived as income but as a gift. This may affect spending behaviour. People seem to permanently overspend. The amounts that they report as their income are less than the amounts they report as their expenditures. This means that they either do not take remittances into account when they talk about their (low) income (between 0-1000 SRD) or it can also be that they have higher debts. It is most likely a combination of both factors. Higher income groups do not have this gap between reporting income and expenditures.

Since most flows are going to the poor, banking the unbanked can be important for development. However, as long as people do not have enough income, to bring money back into the formal circuit would not make it being used for investment purposes.

13.6. USES

Remittances can have both positive and negative effects. They are negative, when they are ill channelled and/or when they make people dependent on receiving large proportions of their income without having to contribute to it themselves. They can create moral hazard problems and can form a disincentive for taking initiatives. They can increase consumption and imports instead of investment and growth. Remittances are positive when they help to increase development, to reduce poverty, and to stimulate growth through investment in business.

How are remittances being used in Suriname? They fulfil two different purposes. They are partly used for investment, partly for consumption. We found that different ethnic groups use remittances in different ways. Of the total remittances Creoles receive approximately 50% and Hindustanis 20%. Hindustanis use them more for investment purposes, including businesses, which is good for economic growth. Creoles use remittances more for daily consumption. For them they help to reduce poverty. However, investment purposes altogether form only a minority – 8% - of remittances. More respondents – 27% - use the money for savings, especially the Hindustani. Thus remittances have two different positive functions for these two ethnic groups.

Do the senders' intentions for giving remittances match with the recipients' intentions for using them? 22% have an inter- family agreement over sending money. Special occasions seem to be an important reason to send remittances.

Given the low percentage used for investment and the importance thereof, there is an urgency to channel remittances more into productive endeavours. Suriname has many natural resources including bauxite and gold, which have already created somewhat of a culture of dependency. Money received from taxing these industries is not always used to build something more lasting. It is spent on civil servant's higher salaries in the state owned sector instead of being invested productively. The balance between consumption and investment could be improved by channelling remittances correctly through financial channels. These channels provide better possibilities to steer the income towards investment. Furthermore, the

Surinamese population (notably the Creoles) should be encouraged and educated to save and use remittances more for investment and long term consumption purposes. People could be made more financially literate. Banks could provide information and make special offers on how to use the money (an education savings booklet, a savings booklet for a future home etc).

13.7. HOW are remittances being sent?

Only 19% of the senders and 18% of the receivers use banks as their main channel for remittances. By contrast, 31% of the senders and 47% of the receivers use formal and informal money transfer agents as remittance channels. While formal and non-formal monetary transfers can be clearly distinguished in the Netherlands, this is not so in Suriname. For Surinamese people an illegal 'Cambio' (exchange office), a legal Cambio, which does not have a license for transferring money and Western Union are all money transfer agents. They do not see the difference. Furthermore, it is still popular to carry money, deliver cash oneself, or send it through relatives and friends. About 30% of the people still use this very traditional channel.

There are many reasons why formal banks are rarely used. First, as in many developing countries, Suriname has a large informal sector. While the informal (shadow) economy in the Netherlands is supposed to be about 12% of the gross domestic product (Schneider 2006), the Surinamese is estimated to be 50%. Developing economies need a large informal sector for flexibility and better access for the poor. There is a general trade-off between development and informality as the importance of informal goods and service production decreases with increased development. The degree of formalization develops only slowly and progressively. This holds for all sectors of the developing economy, including the financial sector.

Furthermore, Suriname is a small country population-wise, with the population being largely concentrated in the capital, Paramaribo. It is a country where everyone knows everyone. Both the importance of the informal economy and its small size of the society make that informal social and economic relations and personal reputations are very important. Informal channels are well developed and efficient. Thus the reason that people frequently use dubious backdoors in shops is because they have personal relationships with the operators and trust them, and because transactions with them are fast and convenient.

Nevertheless, a formal banking structure exists. The people employed in the formal sector - state organizations and foreign owned companies in e.g. bauxite, oil, and gold extraction - need bank accounts, others not necessarily. Even given the importance of the informal sector, 80% of citizens of Paramaribo have bank accounts. But they do not seem to use them much for remittances. This means that the infrastructure for bank-to-bank relationship is given, both in the Netherlands and in Suriname, it is just not being used for remittances.

One reason seems to be that Surinamese people consider banks more expensive. Surinamese have to pay a percentage for a remittance received to a bank (as well as the sender in the Netherlands) whereas if they receive money from Western Union they do not have to pay anything. What they do not realize, is how much the sender has to pay and what happens with exchange rates.

Exchange rates are of great importance because Suriname uses three currencies, the Euro, the US\$ and the Surinamese Dollar SRD. The SRD is not traded internationally. The use of three

currencies means additional transaction costs for keeping separate accounts and changing money. Because of inflation, Suriname has suffered from an increased dollarization. Lately, it has had a successful monetary policy in bringing inflation down, which was partly done by managed floating.

Since most of the remittances come from the Netherlands, the Euro has increasingly won in importance. However, Euro amounts have to be exchanged in SRD or US\$. This makes exchange rates even more important. The Central Bank has gentleman's agreements with banks and Cambios as regards exchange rates. While the banks are sticking to these agreements, the Cambios do not. People changing on the streets and Cambios offer more favourable exchange rates than do formal channels. This means that there is a high incentive for people using informal channels or at least not changing money at banks. This gives banks a comparative disadvantage.

The three currencies also make the remittance channels and their prices intransparent. One cannot always send and receive the money in the currency the companies advertise. For example, MoneyGram (Utrecht) and Western Union (Torarica, Suriname) only accepted US dollars. A Surinamese Shell gas station paid out only in US dollars and SRD, not in Euro as we had thought at the other side of the channel (They told us that money would be paid out in local currency, but apparently the Euro was not considered a local currency while the US dollar was). Very often the sender does not know that the recipient will receive less money. Conversely, the recipient does not know how much the sender paid. Costs can deviate substantially from the costs advertised when one takes the unfavourable exchange rate into account.

Another reason for avoiding the formal banking channel is that people do not trust the government and feel that, if they use a more formal way of transferring money, the government might find out about their money. This concerns even people not holding criminal money. Many are just concerned about the government knowing how much money they have.

Other reasons yet for avoiding formal banking channels are: banks are not necessarily cheaper than monetary transfer agents; they are definitely slower than monetary transfer agents; they necessitate more paperwork; people trust banks to deliver the money but they do not trust them with regard to privacy matters. All these do not weigh up to the supposed advantages of the banking channel. In the end, the reason for the little use of banks is not that they do not work or are not functioning well, it is more that the monetary transfer agents are doing so much better.

However, there would be more positive macroeconomic effects if formal channels would be used more. If remittances flow through banks, the latter can use the means for investment loans. It would encourage greater savings, improve the allocation of investment sources, open access to broader range of services, and there are greater opportunities for managing financial risks.

In the long run Suriname needs better-developed formal financial markets. For the further development of Suriname, the combination of linking remittance money to more efficient use of money through financial intermediaries is important. If everything with regard to remittances were formal now, the poor without an account would fall through the system. The informal system suits the poorest people better because it is cheaper; they do not need an

account; those who cannot get out of their house are able to receive home delivery of money without extra pay. Free service for disabled people might also be a way of the formal sector to gain market shares from the informal sector.

But the formal sector could be further developed in Suriname. The IMF (2005) claims that banks need better supervision. Particularly as regards money laundering there seems to be insufficient control. The Central Bank of Suriname does not feel legally entitled to do the supervision. The three state owned banks seem not to be doing well and are practically insolvent. In order to make remittances work the formal sector must be solvent and liquid.

Dutch banks could help. They seem to feel they have a commitment towards the former colony, from where so many current Dutch citizens – also their clients – come. An indication is that at least one bank, the cooperative Rabobank, is considering channelling some of its profits from remittances to a similar program as the IntEnt as promotional strategy. IntEnt is a 10 year old foundation set up by the Ministry of Foreign Affairs in the Netherlands. It was set up to enable migrant entrepreneurs to start businesses in their home countries. It was not an effort to make people go back to Suriname, but to try to stimulate well-educated Surinamese to invest in their home country. It was seen as a development strategy.

13.8. HINDRANCES

What are some of the possible hindrances to more fluid and secure transactions, with less transaction costs, and more use of the formal banking sector? Is there perhaps under-regulation or over-regulation?

The Netherlands has a lot of regulations concerning consumer protection and anti-money laundering (AML) that affect remittances. They make it expensive to set up a money transfer office (MTO), which might push companies underground. A bank guarantee is needed, which depends on the amounts outstanding between sending and receiving. The MTOs are free to choose the amount, but this involves costs. Most chose 100.000 Euro. This is why MTOs set voluntary limits for sending money (Western Union 9999 Euros, MoneyGram 7000 Euros). In addition they have to pay 3000 Euro for being supervised by the DNB and they have additional hindrances to face as well. In a letter to the Dutch Parliament the Dutch Ministry of Finance stressed that there was too much consumer protection and urged for less regulation of the MTOs.

There is a trade-off between consumer protection and AML, and supply orientation. Illegal channels are reliable and work well, but they are more susceptible to money laundering. There is a high chance that clean money is mixed with dirty money. At the moment it is being discussed in the Netherlands to raise the penalty for unlicensed MTOs from 2 to 6 years in jail. This is meant to discourage illegal enterprise. It seems wiser to give more positive incentives for MTOs to become legal. Recent changes in the WGT work in this direction as they aim at facilitating establishing a legally licensed MTO.

In Suriname, money laundering is severely punished on paper (up to twenty years) but is hardly prosecuted. The Surinamese Bureau for Reporting Irregular Transactions (MOT), responsible for AML Policy, is highly understaffed. It might help to give some development aid in the form of computer equipment and personnel cost payment to this Financial

Intelligence Unit in order to improve the prosecution of money laundering between the Netherlands and Suriname.

Other hindrances for shifts to the formal sector are:

- Less need for change than in other countries

The status quo seems satisfactory for most of the senders and receivers. Remittances arrive and they arrive safely in Suriname. There are few complaints on both sides of the channels about non-arrived remittances. As regards the formal sector, consumer protection has a priority at the Dutch side of the channel. As regards the informal sector, personal contacts and ethnic self-control seem to guarantee a similar arrival safety in this segment. But this well functioning of the transfers also means that there is less incentive for a change than in other corridors which function less well.

- Familiarity

People use channels that are familiar to them. This is the most important reason we found for people using a specific channel. People are often less familiar with banks than with other channels such as mail, family couriers, or money transfer operators.

- Remittances are not seen as the big business by banks.

The formal sector itself does not seem eager to increase its involvement in remittances, as these are not considered good business by Commercial Banks. Only Suri-Change, a former money transfer operator, which recently became a bank in Suriname, shows more interest in remittances. But even they want to expand into the more lucrative investment sector.

- The formal sector suffers from ‘unfair’ competition by Cambios

By contrast, for Cambios money transfers are important business. One interviewee estimated that 90% of their activity is business ‘through the back door’, illegal money transfer (illegal, because they are not licensed for this). They do so by offering better exchange rates, lower costs, and they have good personal contacts with their clients.

13.9. Options for Improvement

What are some of the possibilities to overcome these hindrances?

The new strength of the Euro opens new possibilities. More and more people can and do hold accounts in both the Euro and the SRD, e.g. at the RTBB and Hakrinbanks. New channels in between banking and money transfer and financial innovations are being developed. A new Belgian money transfer agent Moneytrans settled in Suriname. Cooperation between banks and money transfer agents on both sides of the channel speed up transfers and make them more efficient. The Landbouwbank can deliver within a day since it works together with the Belgian company Moneytrans. New payment forms, such as debit cards which Surpost and Interpay have developed together, hold the promise of faster, less cumbersome service, with easy access.

Yet, more can be done to bring remittances from a cash-to-cash relation into an account-to-account relation. There is a need to integrate people more into the financial system, since developed financial markets are a prerequisite for development and growth. Robert Suro (2005) suggests the following 5 points:

- Financial Education. With regard to Suriname, financial education as done in the US, does not seem necessary. People are aware of financial channels. At least from the Dutch side, having a bank account and using an Internet does not seem uncommon. People are hence aware of the instruments of the formal sector. Surinamese immigrants are better educated than most other groups of migrants.
- Lower costs. The costs for sending these money transfers back home are about 5%-10% of the total amount sent. This sum is basically lost for development aid. Costs have indeed been mentioned as one problem, but they do not seem to be the major hindrance for using specific channels. In essence, taking all costs into account, formal channels are cheaper than informal ones, but they are too slow.
- No regressive fees. Flat rate fees are regressive, and disadvantage small senders. The use of regressive fees has been confirmed by our study.
- Avoid additional conversion costs. Often conversion costs are added such as check cashing fees. This could not be confirmed but also not be unconfirmed by our study. Check cashing is not usual in this corridor.
- Avoid unfavourable exchange rates. Exchange rates from wire transfer services are often high. This was confirmed by our study. We found exchange rates not transparent, especially when using money transfer agents in the Netherlands. A major problem was the misleading information about the currencies in which remittances are accepted and paid out.

Finally: it is quite surprising that government officials do not seem to take an explicit interest in remittances. In Suriname both the government and the Central Bank do not know how many remittances are received or sent. Therefore we had to do with rough estimates. However, we found that Surinamese's remittances received are increasing and a growing business. It is, therefore, amazing that there is so little interest by banks and government officials. There is also no more data collected in the Netherlands on remittances; data collected on remittances stopped in 2002. There is no data on remittances in the Netherlands officially but there may be a survey study ready by 2010. Given the rising importance of remittances it is essential to find out more precisely how much is being sent and through which channels it flows.

- **Our findings compared to former findings and suggestions for future research**

The fact that the Netherlands Consumer Association (Consumentenbond 2005) had already done an empirical investigation about remittances of Surinamese migrants allows to compare the findings on both sides of the channel and to evaluate the quality of the research. Our study basically supports the findings of the Consumentenbond (2005) study. We found similar average amounts of remittances (about 400 Euro), we found similar frequencies (two to four times a year), we found a similar importance of the informal sector and money transfer agents as opposed to banks. We also identified the same banks as being important for remittances. Among banks, ABN-AMRO which usually is not so much in the individual business, is so dominant in the Surinamese remittance business because of its historic link there. About 40% of the remittance business by banks goes via ABN-AMRO. As we showed, it is the correspondent bank for the large Surinamese banks. We highly appreciated that this pioneer study on workers' remittances was available once we started our research. We have, nevertheless, some suggestions for modifications. Consumentenbond does not mention Suri-Change, one of the most important formal channels of the Netherlands-Suriname remittance corridor. Socio-economic criteria and income of the senders are missing. This might explain data variation. The category of non-banks could have been better developed in the questionnaire. In both studies the informal sector could be more explored and further researched. With regard to our own study, we especially regret that we did not ask more explicitly for specific formal and informal channels. It turned out ex post that people interviewed could not distinguish between the formal sector and the informal sector properly. In particular, they could distinguish between money transfer agents such as Western Union and MoneyGram, legal money transfer agents such as the two licensed Cambios and Cambios doing remittance

Appendix 1. Some general remarks on the regulation of the Dutch financial sector

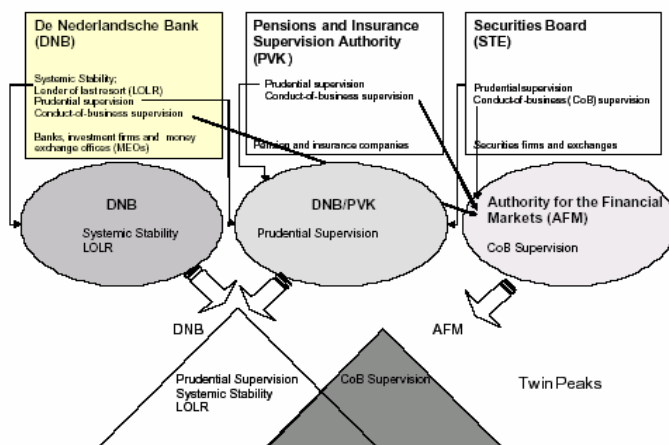
The development of the Twin Peak Model of Supervision of the financial sector

The climate of the Dutch financial industry has traditionally been very liberal. Under the influence of EU Directives and because of international economic developments which necessitated changes in the financial structure, the Netherlands has set up an entire supervisory structure for the various branches of industry in the 1990s which recently merged even further. As a first step of reforms, the Dutch Central Bank (De Nederlandse Bank DNB), the Insurance Board and the Securities Board (Stichting Toezicht Effectenbeursen STE) were entrusted with the enforcement of the financial Acts concerning supervision. In 2001 the Insurance Board changed its name to Pensions and Insurance Supervisory Authority (Pensioens- en Verzekeringskamer PVK) and the security board changed its name into Authority for Financial Markets (Autoriteit Financiële Markten, AFM).

In 2002 the so called Twin Peaks model was introduced which aimed at a clear separation between conduct-of business and prudential supervision. Since the merger of the insurance and pension supervisor (Pensioens- en Verzekeringskamer PVK) with the DNB in 2004, there is only one prudential supervisor in the Netherlands left, the Dutch Central Bank. All prudential supervision is in the responsibility of the DNB, while all conduct-of-business supervision is allocated to the Authority for Financial Markets (Autoriteit Financiële Markten, AFM) (see Prast and Lelyeld 2004). All financial institutions in the Netherlands are subject to

regulation by the AFM. Financial institutions are institutions that provide services or products in relation to investments, insurance, savings or loans. An AFM permit is required before financial institutions are allowed to provide certain services and products, e.g. in relation to buying, selling or managing securities. see more under www.afm.nl) The AFM is an independent regulatory agency IRA (a ZBO zelfstandige bestuursorganisatie). The competence to supervise financial markets are delegated to the AFM by the ministry of finance (www.afm.nl).

Figure Appendix 1.1 Development of the financial sector supervisory architecture in the Netherlands



Source: Prast and Lelyveld (2005), p.16

The Dutch Central Bank is – and this is one of its most important tasks – responsible for the enforcement of the Credit System (Supervision) Act 1992, the Act on the Supervision of Investment Institutes and the Exchange Offices Act. The DNB has the task and powers to supervise financial institutions in accordance with applicable legislation. The Ministry of Finance also has powers to exercise certain supervisory measures.

In 2007 the New Financial Supervision Act will replace inter alia the Act on the Supervision of the Credit System 1992, the Insurance Business Supervision Act 1993 and the Act on the Supervision of the Securities Trade 1995. The Council of Financial Supervisors will be replaced by a covenant between the two supervisors, the DNB and the AFM.

This new framework is supposed to be more efficient with cross-sector and innovative financial activities, products and risk management (IMF 2004). It takes into account the blurring of distinction between financial sectors and products since the 1990s. To give an example, mortgage combined with a life insurance involves banking, insurance and securities. Evidently some issues such as financial integrity, include both dimensions of prudential and conduct of business supervision.

The DNB also inspects whether other relevant legislation, such as the Disclosure of Unusual Transactions Act (Wet melding ongebruikelijke transacties) and the Identification Act (Wet identificatie bij financiële dienstverlening) are observed (see under anti-money laundering regulations).

Section 17 of the Disclosure of Unusual Transactions Act commits the supervisor to a strict code of secrecy of the information gathered. Very rarely, the supervisor is allowed to break this code, for instance in case of the discovery of an offence having been committed by the supervised institution.

Appendix 2. Some further problems with defining workers' remittances

The 1993 System of National Account SNA is even more explicit in defining other current transfers. It distinguishes current transfers such as donations in cash or in kind, current transfers between households such as gifts, dowries, inheritance, fines and penalties, lotteries and gambling and payments of compensation (alimony, compulsory payments for personal injury or damage to property (Alfieri 2005)

Migrant remittances is defined broadly as monetary transfers that a migrant makes to the country of origin. In other words, financial flows associated with migration (International Organization of Migration).

BPM5 defines migrants' transfers:

“They are contra-entries to flows of goods and changes in financial items that arise from migration (change of residence for at least a year) of individuals from one economy to another. The transfers to be recorded are thus equal to the net worth of the migrants”.

Most of the time, remittances are personal, cash transfers from a migrant worker or immigrant to a relative in the country of origin. They can also be funds invested, deposited or donated by the migrant to the country of origin. The definition can be further broadened to include in-kind personal transfers and donations.

In the narrow definition, remittances aim at measuring the economic impact of migration mostly on the home economy. The unit under consideration is the migrant (also including short-term migrant), independent of the status (e.g. employed or unemployed, legal or illegal, etc.).

The aim is to capture the net receivable of transactions without quid pro quo between the migrant and the related household in the home country, independently from the source of income (whether it be wages and salaries, social benefits or any other current transfer) and investigate how the money is put to use in the home country (e.g. alimony, inheritance, lottery, etc.).

A recent UN paper takes the position that the concept of remittances in the Balance of Payment BOP framework should be designed to measure the net receivable of households from employment-related flows on the primary distribution of income account and relevant current transfers on the secondary distribution of income account. Consequently, excluded from the remittances concept are the exports and imports of goods and services produced under employment contracts, investment income from external assets and liabilities held by households as well as related taxes (Alfieri et al 2005).

The following graph shows how definition and scale change with the immigrant getting deeper involved with the country and eventually becomes a resident.

Degree of involvement in the host economy →

	Nonresident worker		Resident worker	
	Nonresident employer	Resident employer		
Compensation of employees	(a) Compensation of employees (1993 SNA)	(b) Compensation of employees (BPM5)		
Current transfers			(c) Workers' remittances	(d) Other transfers
Capital transfers			(e) Migrants' transfers	

Neither migration nor economic statistics recommendations provide any indication of when a resident “migrant” ceases to be such and becomes a resident “non-migrant”. This has implications on the classification of cross border transactions in the BOP framework.

The following BPM5 schemes distinguishes by the degree to which the immigrant gets assimilated in the new country. They encompass both income from labour (i.e. compensation of employees) as well as various types of current transfers.

- (a) Compensation of employees of a nonresident worker employed by a nonresident employer operating in a foreign country (not BOP flow);
- (b) Compensation of employees of a nonresident worker employed by a resident company;
- (c) Workers' remittances from a resident migrant worker;
- (d) Other current transfers from a resident household;
- (e) Migrants' transfers.

This larger scheme of differentiating between compensation, workers remittances and other transfers allows to differentiate between different degrees of involvement of the “migrant” in the host economy, with (a) having virtually no involvement in the host country as the remuneration is paid by the non-resident employer (this is not considered a transaction in the balance of payments), (b) being a short term migrant; (c) being a long-term migrant; and (d) ceasing to be a migrant. (e) is a special category and occurs when a person moves from the home to the host country with the intention to stay for at least one year. It represents a shift in the ownership of the migrants' assets from the home to the host economy

In its broadest definition “total remittances” can be interpreted as the net receivable of the sum of compensation of employees, all household-to-household transfers, lotteries and gambling, social security benefits and social assistance benefits (in cash and in kind related to health treatment, pension and unemployment, family allowances, reduction in income, housing and

education) from government units, social security schemes minus the sum of social contributions, current taxes on income and travel expenses of nonresident workers (Alfieri 2005).

The scheme mentioned above points at the difficulty one has to determine when a immigrant worker stops being an immigrant and becomes a resident. Surinamese people could opt for a Dutch passport, hence they were very soon no `immigrants` according to this definition. The scheme also pointed at the difficulties faced when trying to measure remittances. This affects the Netherlands even more than other countries, because parts of the statistics for the Balance of Payment (the Current Account and Transfers) are based on estimations and are not done by the Dutch Central Bank, whereas the Financial Balance is done by the Central Bank. If workers' remittances pop up in bits and pieces under different entries in both balances, it seems impossible to statistically trace them.

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