



Migration, Remittances, and Microfinance

Women's Economic Empowerment and the Role of ICT
The World Bank
May 4, 2006

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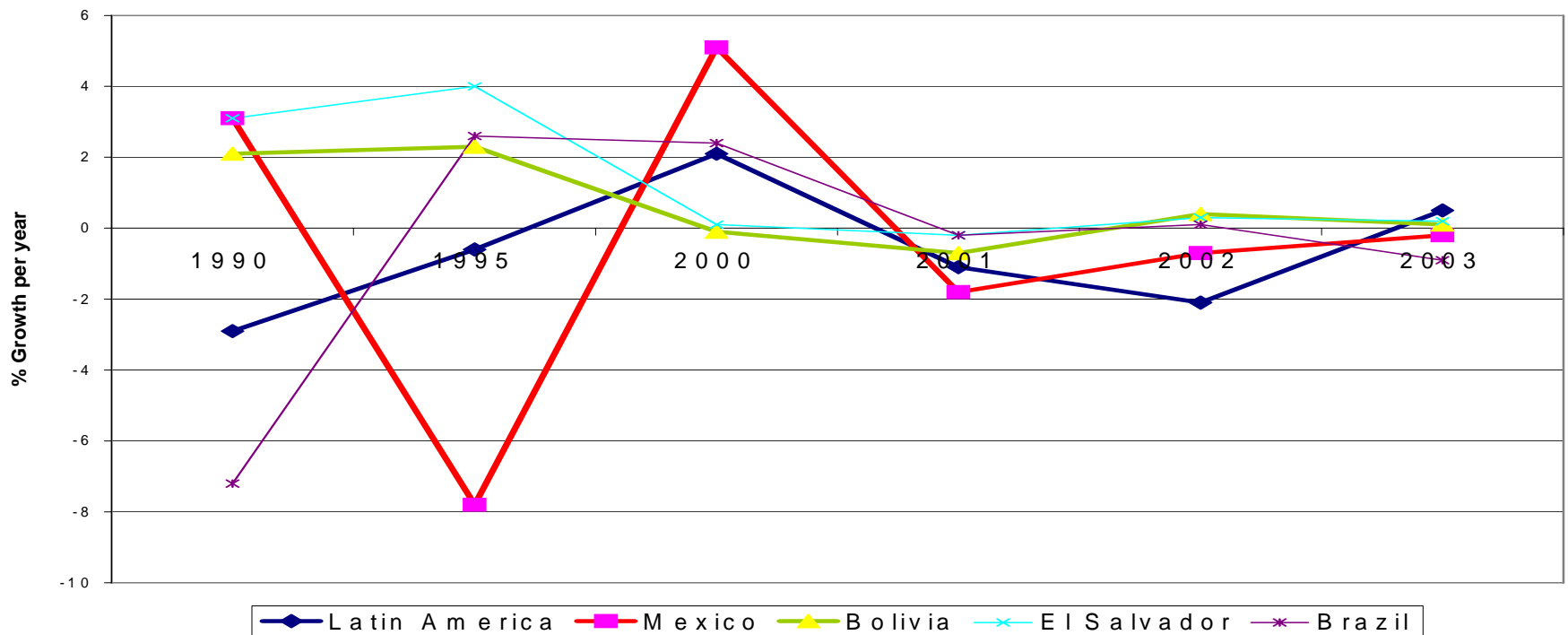
Microfinance International Corporation

Latin America at a glance

	1990	2005 or most recent
Population (million)	442	558
Growth of population	1.8%	1.5%
Rural population as % of total	29%	22%
GDP (US \$ bn)	1,436	1,998

...although there is some improvement in the living conditions...

- ...improvement is not constant:
(GDP / capita in LA and selected countries)



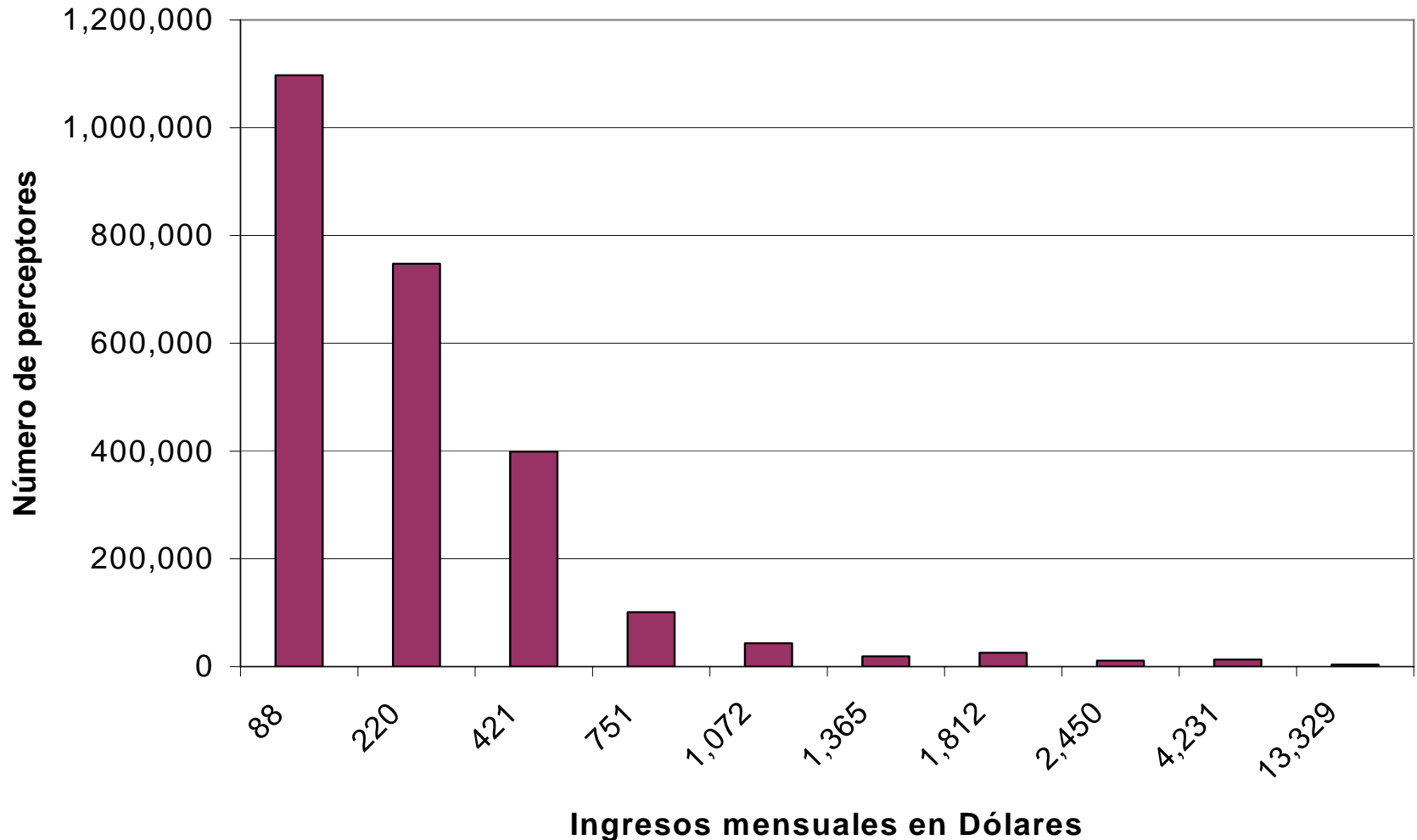
...unemployment is high...

unemployment rates

1990	1995	2000	2003	2004
10.4%	10.3%	13.3%	18%	15.3%

Source: ECLAC 2004

...income distribution is highly skewed (e.g in Ecuador 2002)...



...and significantly below the
achievable income in the US...

GNI per capita (US \$)

	2000	2004
Latin America	3,700	3,600
United States	34,400	41,400

Source: World Bank, World development indicators database

It is estimated, that about

- 25 million Latin American-born citizens live outside their home country, and of them, 22 million live in the US
- 5,000 Hispanics a day migrate to the US due to conflict and economic reasons

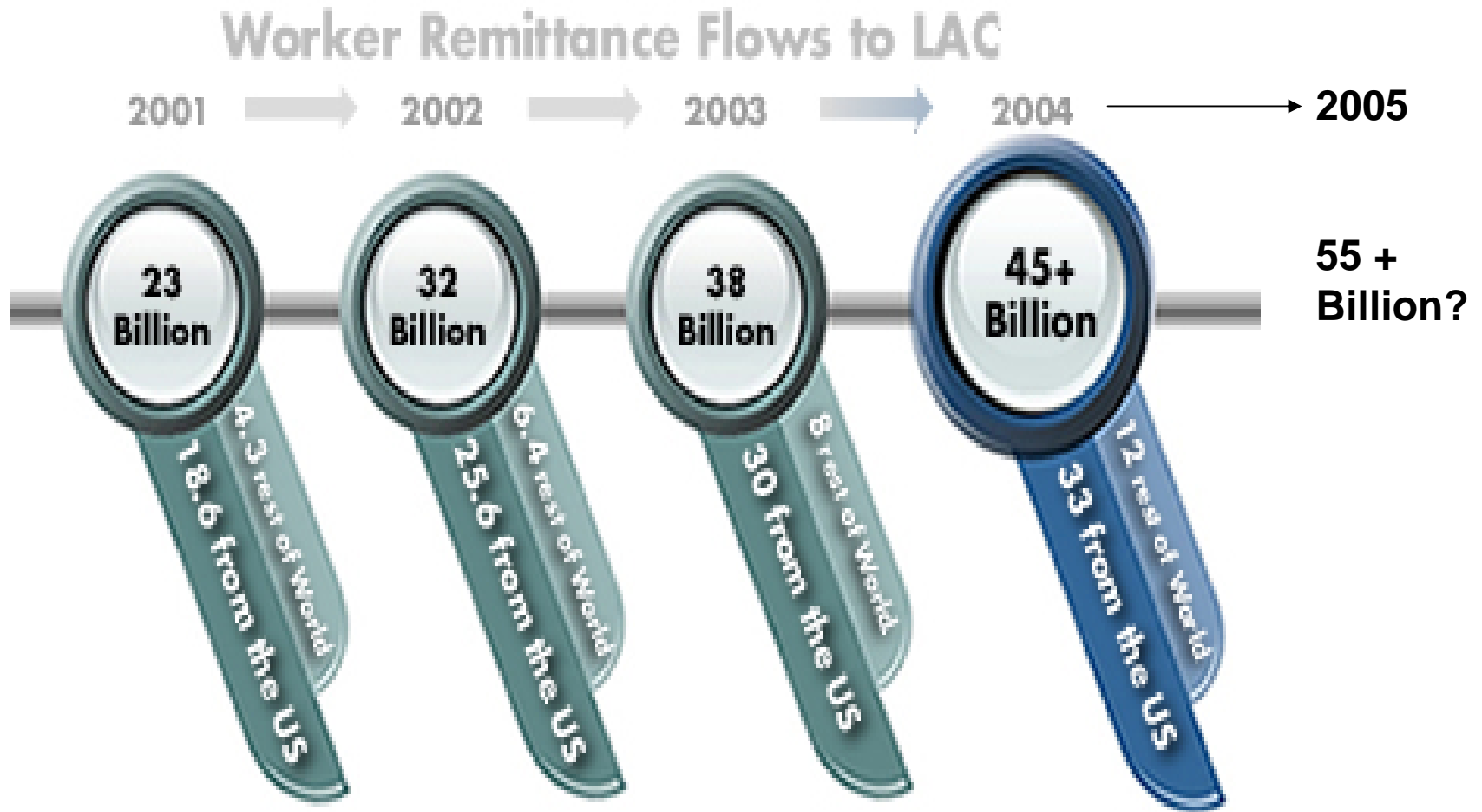
Migration Creates Hardship

- Current situation is similar to women on the homefront who did the work of men during WWII
- Women make big contributions and experience great suffering

Remittances as an Outcome of Migration...

- Remittances are the largest source of hard currency and exceed both exports and foreign assistance in many L.A. countries
- Each \$1 remitted to Mexico results in an increase of \$2.90 in the GDP and \$3.20 in economic output
- After oil, remittances are Mexico's largest income source

US-Latin America Remittance Flows



Source: MIF 2005

Remittances in Perspective...

Table 1: Relevance of remittances for each country in 2002

Country	Annual Volume	Remittances as percentage of . . .			
		GDP	Exports	Aid	Investment
Mexico	\$9,814,400,000.00	3%	6%	7243%	72%
India	\$8,317,105,284.79	2%	17%	569%	323%
Philippines	\$7,189,243,000.00	7%	20%		701%
Spain	\$3,958,213,677.40	1%	3%		151%
Pakistan	\$3,554,000,000.00	5%	36%	166%	447%
Portugal	\$3,224,355,236.84	2%	13%		580%
Egypt, Arab Rep.	\$2,893,100,000.00	3%	66%	225%	467%
Morocco	\$2,877,152,600.82	7%	36%	452%	637%
Bangladesh	\$2,847,675,583.83	5%	47%	312%	6233%
Colombia	\$2,351,000,000.00	2%	20%	533%	201%
Serbia and Montenegro	\$2,089,000,000.00	14%	92%	108%	372%
Dominican Republic	\$1,939,300,000.00	10%	37%	1238%	202%
El Salvador	\$1,935,200,000.00	17%	65%	829%	828%
Jordan	\$1,921,439,046.10	22%	70%	360%	6249%
Turkey	\$1,936,000,000.00	1%	6%	305%	225%
Brazil	\$1,710,976,000.00	0%	3%	455%	12%

Remittances to Latin America in 2004



Transnational Families are Linked by Remittances

- Similar socio-economic characteristics:
 - Poor
 - Urban/rural
 - Unbanked
 - Hard-working, sacrificing, entrepreneurial

Microfinance for Recipients

- Microfinance Institutions in many forms
 - Mostly women customers
 - Issues:
 - Access to capital markets
 - Sustainability, scalability
 - Business development (remittance recipients as ideal customer base; technology; etc.)

Latin America MFI Benchmarks

A few things stood out in 2004:

- Nearly all MFIs grew at a rapid rate.
- Profitability has increased rapidly.
- Portfolio quality, which has always been remarkably high, is now improving to even higher levels
- Transformation of MFIs from mainly equity-based NGOs into supervised financial intermediaries continues.

Microfinance for Senders

- Almost non-existent market, huge potential demand
- Financial service market in U.S. is expensive (Western Union, payday lenders,...) and unsophisticated (agents,...)
- Big market gaps and opportunities (25 million unbanked Hispanics)
- And challenges (MSB pressures, cumbersome usury laws, for-profit capital access, market knowledge necessary)

Possibility to Connect Global Markets

- Transnational families are linked by remittances
- Opportunity to provide microfinance services anchored around the remittance service
- Interest of immigrants here to receive services there – and of MFIs there to cross sell overseas to Diaspora
- Technology networks to support innovative cross-border collaboration

Microfinance International Corp.

- Japanese banker founded company
- For-profit, private company
- Supported by OPIC, JICA, GTZ
- Corporate objectives:
 - Eradicate poverty through a revolutionary platform linking remittances with microfinance
 - Leverage growth of transnational families



En Alante, sí
haces todo
en un sólo
viaje!



Alante Financial is one of the first commercial microfinance institutions in the US dedicated to the Hispanic market in the US.

Alante offers a one-stop shop for all basic financial service needs, starting from money transfer and check cashing and ranging to loans, insurance and mortgages.



Alante Financial currently serves in excess of 35,000 customers from nine branches in DE, DC, MD and VA.

To support our clients and their families in the US, we currently cooperate with 15 financial institutions in 8 countries in Latin America.

So we can help here and there.



We own all our shops and do not work with agents. This way we ensure that we provide good service, low prices, welcoming branches and that we are compliant with all regulations.



Our services, operations and marketing are totally customized to our market.

As a result, Alante is growing. Our branches grow by an average of 10% a month and we will increase our branch network to 15 branches by the end of 2006.





Alante – Service and branch build-up



MFI Network Distribution

Country	Expected Availability	Branch Locations	Distribution Partners
El Salvador	Current	46	Accovi, Integral, AMC, Campo, Duarte, ALPIMED
Honduras	Current	56	BANHCAFE, ODEF
Nicaragua	Current	14	FINDESA
Bolivia	Current	49	Bancosol, Agrocapital
Mexico	Current	3,200	HSBC
Guatemala	Current	300+	BANRURAL
Dominican Republic	Current		Remesas Quisqueyana, One Large Bank (deal being closed)
Columbia	Current		Remesas Quisqueyana
Peru	3Q 2005	150+	Two Large Banks, One Microfinance Institution (deals being closed)
Ecuador	3Q 2005	20+	One Large Bank (deal being closed)
Costa Rica	4Q 2005		One Microfinance Institution (deal being closed)

MFI Network

- Three-tiered relationship
 - Remittances to fuel growth, then -
 - Loans for microfinance onlending, then -
 - Cross-selling opportunities

Innovative Technology

- Web-based Cooperative Open Banking Information System (COBIS)
- Used throughout Latin America
- Gives MFIs a robust, efficient platform

Economic Benefits

- Senders and recipients can help their countries on a macro and microeconomic level
- Lowering remittance costs (G-8, Partnership for Prosperity, Treasury, World Bank) = more hard currency inflow into developing countries
- Connecting remittances with microfinance improves the productivity of remittances and strengthens the financial infrastructure
- Private sector lending to MFIs gives industry sustainability, opens up capital markets, stimulates microenterprise growth, generates new jobs, and makes financial services accessible to underserved regions
- Microfinance in the First World can de facto help immigrants integrate into the financial sector and succeed financially