

**REMITTANCES AS A DEVELOPMENT TOOL: A REGIONAL CONFERENCE  
MULTILATERAL INVESTMENT FUND  
INTERAMERICAN DEVELOPMENT BANK**

**POTENTIAL ROLE OF REMITTANCES IN MICROFINANCE**

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**Introduction.-**

The issue of remittances has been an important topic in the development agenda given migratory patterns of labor-seeking populations and will become more significant in this area of globalization. Its contribution to microfinance is unclear, if there is any, at all. A heated internet debate of either or took place on this issue a few years ago, when proponents of development mechanisms downplayed the contribution of microcredit programs compared to the quantity of funds transferred via remittances to communities where microcredit programs, (usually organized by the non-profit sector), were particularly active. Remittances to the Philippines was a particularly interesting case in point. The debate centered on how much “real” development was obtained through these credit programs when compared to the flow of money into these same communities via remittances, of relatives migrating to developed countries seeking a cheap labor force. The NGO movement in the Philippines quickly responded that both cases had to be seen within a broader context of social and familial disintegration, as a result of the need to migrate. Microcredit programs, in this context, offered an economic solution *within* the communities themselves, therefore preserving social integration and family unity.

The issue of remittances vis a vis microfinance need not be an either or proposition. Both are central to one same basic situation in the world today, namely the lack of economic and employment opportunities for a majority in the “poorer” countries and the solutions sought to achieve sources of income that provide means for a better livelihood for themselves and their families. Some have found migrating a solution, others remain as part of the unemployed “informal sector” in their communities and if present, are being served by a variety of microcredit and microfinance institutions. Since both “strategies” point to correcting a similar situation of poverty and lack of opportunities, there is ample room for a role of remittances to microfinance.

**Remittances from Argentina to Bolivia**

Remittances is not only a phenomena of fund flows from the developed countries into the underdeveloped ones, although this is what has been mostly described and documented. The case of Bolivian (an other) migrants in Argentina is a particular example of flows of remittances between neighboring countries, and two going through difficult economic situations. Bolivians migrate to Argentina for the same reasons they migrate elsewhere: employment opportunities. Argentina offers a broad range of opportunities to migrants, from seasonal agricultural labor to more stable employment in construction, microenterprise development and domestic services. Bolivian migrants operate a variety of manufacturing workshops producing clothing of all sorts, for the Argentinian market. Most of this production is sold in local “fairs” serving other migrant groups, as well as the Bolivian community and poorer sectors of Argentinian society. 80% of the fresh vegetable products consumed in the Gran Buenos Aires area today, are produced in small farms owned by Bolivians employing a labor force made up of their relatives and other migrants of their

communities in Bolivia. Unofficial figures speak of close to 1 million Bolivians living in the Gran Buenos Aires area alone, estimating a total of 2.5 million Bolivian migrants in Argentina. Most of these migrants survive in “informal” work arrangements that nevertheless provide a source of income and a definite improvement in their living conditions. Despite their migrant status, most are settled into life in Argentina, educating their children there and pursuing a legal resident status. In the meantime, their stay in Argentina also allows them the possibility to “save” a significant amount of capital, which is remitted back to Bolivia, for a variety of purposes such as buying a piece of land or even a house.

According to the tax authority in Argentina, the amount remitted per year to Bolivia is close to 100 million US dollars. The particularity of these money transfers is that they are usually made through highly informal and unsecured channels or highly costly ones, which charge between 6 to 12% depending on the amount sent. Many Bolivians prefer to use the riskier channels because they find the formal more secure channels to be unreceptive and untrustworthy. Even though Bolivian migrants in Argentina are considered to be hard-working people and their work is of high quality, their migrant condition and informal undocumented situation in Argentina, opens them up to abuse and discrimination. There is, therefore, a continual flow of cash from Argentina to Bolivia that can become an important player in micro and small enterprise development in that country.

### **FIE and Microfinance in Argentina**

FIE is an internationally known, highly successful microfinance institution in Bolivia. In 1998, what begun as a modest credit program started by a non-profit organization, became FIE Private Financial Fund, a formal regulated non-banking microfinance institution. Today, it is the third largest microfinance program in Bolivia and number one in portfolio quality. As of April of this year, FIE had disbursed close to 150 million US\$ dollars to microentrepreneurs living in the cities of Bolivia, in loans of a historical average of the equivalent of 850 US\$ dollars. More than 40% of these loans go to finance the activities of a manufacturing sector which provides goods to the popular markets of Bolivia. More than 60% of FIE’s clients are women, low-income women. The impact of this work, in times before the present economic crisis, is seen in access to loans, increased employment opportunities within the microenterprise sector, improvement of the quality of production, increase in assets and a general betterment of the living conditions of the entrepreneurs and their families.

The story of FIE is also a very clear and evident example of a successful partnership, of more than 8 years, between a pioneer microcredit program in Latin America and the Interamerican Development Bank. More recently, the MIF has provided funds for FIE to begin exploring the transference of its technology and expertise to markets beyond the borders of Bolivia, namely to Argentina. As we speak today, FIE is opening its doors as a microbank in Buenos Aires, offering microcredit services to a predominantly Bolivian migrant clientele. The clients in Buenos Aires will be no different to the clientele FIE has serviced in Bolivia for the past 15 years. They will be entrepreneurs who are owners of a broad variety of enterprises in the manufacturing and service sectors, catering to the needs of the migrant community as well as the community at large of that truly amazing city. They are entrepreneurs that have had no access to loans up to this moment in Argentina, due to their national origin and informal undocumented status. One immediate need these loans will satisfy is the dues illegal migrants must pay for the documentation process as legal residents of Argentina. Obtaining this status is the first step towards formalization and the civic rights that ensue. Other needs are tied to their economic and commercial activities.

Remittances will play an important part in this process. FIE will be in the position to offer its clientele a transference mechanism that is secure, part of their community, and with ties to the homeland and the families left behind, many which are clients of FIE in Bolivia! In fact, these relationships have been what has invited and encouraged our move to Argentina. A number of such remittances are today already gaining interest in Time Deposit Accounts in FIE Private Financial Fund in Bolivia. And....most important, remittances will allow FIE to offer microcredit on a massive scale to the Bolivian migrant community in Argentina, servicing the many economic activities these migrants have started in that country.

The role remittances will play and their contribution to the development of microfinance in Argentina is clear and simple. Economic activities which begin as income-generating strategies of a migrant population, produce a surplus which is utilized in a financial service that allows the growth, upgrading and consolidation of these activities, resulting in increased production, employment opportunities and additional income. It could not be a more simple and clear development tool.

La Paz, April 18, 2001.

## CURRICULUM VITAE

NAME: **M. Pilar Ramirez**  
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### EDUCATION

**Master in Public Administration**, John F. Kennedy School of Government, Harvard University, Cambridge, Mass. USA, June 1984.

**Master of Arts, Psychology**, The New School for Social Research, New York, NY, USA, June 1976.

**Bachelor of Arts, Psychology**, The College of New Rochelle, New Rochelle, NY, USA, June 1972.

**Bachiller en Humanidades**, Colegio Saint Andrew's, La Paz, Bolivia, November 1967.

### PROFESSIONAL EXPERIENCE

Centro de Fomento a Iniciativas Económicas (FIE NGO), **Executive President**, January 2001 to present.

FIE Private Financial Fund, **President of the Board**, August 1997 to present.

World Bank, Resident Mission in Bolivia, **Social Analysis and NGO Specialist** February 1996 to August 1997.

Swedish International Development Cooperation Agency (SIDA), La Paz, Bolivia, **Project Officer**, August 1993 to February 1996.

Centro de Fomento a Iniciativas Económicas (FIE), La Paz, Bolivia, **Advisor to the Executive President**, July 1992 to February 1996.

The Synergos Institute, New York, NY, USA, **Director of Programs**, May 1991 to July 1992.

Centro de Fomento a Iniciativas Económicas (FIE), La Paz, Bolivia, **Director, Credit Program** March 1988 to October 1990.

Centro de Fomento a Iniciativas Económicas (FIE), La Paz, Bolivia, **Executive President**, November 1985 to February 1988, date when institutional Policy determined that the responsibility of directing FIE be rotated to another FIE associate.

Centro de Estudios y Servicios Especializados Sobre Migraciones Involuntarias (CESEM)  
Agency in Bolivia of the United Nations High Commissioner for Refugees (UNHCR) La Paz,  
**Administrative Director**, July 1984 to October 1985.

Centro de Estudios y Servicios Especializados Sobre Migraciones Involuntarias  
(CESEM) La Paz, Bolivia, **Psychologist**, August 1982 a July 1983.

Fundación San Gabriel, La Paz y Tipuani, Bolivia, **Director, Mining Area Program**,  
March 1978 to March 1980.

Fundación San Gabriel, La Paz, Bolivia, **Psychologist**, March 1977 to March 1978.

Covenant House, New York, NY, USA, **Counselor**, January 1974 to July 1976.

Various jobs as **clinical psychologist** in diverse public institutions of Bolivia (experience working with delinquent minors, children with learning disabilities, drug abusers, etc.) and other social work agencies, from 1972 to 1977. Psychotherapist in private practice March 1981 to June 1982.

### **TEACHING EXPERIENCE**

Stanford University, Center for Latinamerican Studies, Palo Alto, California, USA,  
**Adjunct Assistant Professor**, October to November 1988 and 1989.

Universidad Catolica Boliviana, La Paz, Bolivia, **Thesis Supervisor**, Business  
Administration Department, July 1989 to Abril 1991.

Universidad Catolica Boliviana, La Paz, Bolivia, **Adjunct Professor**, Psychology  
Department, 1977 a 1983.

Universidad Mayor de San Andrés, La Paz, Bolivia, **Assistant Professor**, Business  
Administration Department, November 1979 to July 1980.

### **CONSULTING**

Instituto Boliviano de Estudios Empresariales (IBEE), La Paz, **for the Diplomat Course on Enterprise  
Direction and Management: Entrepreneurship**, to be offered in October, 1999.

Instituto Boliviano de Estudios Empresariales (IBEE), La Paz, **The Transformation Process of  
Microcredit NGO to a Regulated Microfinance Institution**, July, 1998.

Ecumenical Church Loan Fund (ECLOF), La Paz, **The Impact of Microcredit on Women Borrowers**, La  
Paz, September, 1998.

CLAVE Consultores, La Paz, Preparation of **“Gender and Development” Training Materials for NGO  
Work in Urban Areas**, March to June 1995.

Swedish International Development Cooperation Agency (SIDA), La Paz, Bolivia  
**Mid -Term Evaluation Mission of the Social Investment Fund**, February and March 1993.

Swedish International Development Cooperation Agency (SIDA), La Paz, Bolivia  
**Identification of Projects to be Supported by the Agency in the Areas of Alternative Development and  
Water and Sanitation**. April and May 1993.

DANIDA/HABITAT, La Paz, **Design of a Credit Program for Housing Improvement in Areas Affected by Chagas Disease.** September to December 1992.

DANIDA/HABITAT, La Paz, **Consulting for the Creation of Pro-Habitat Foundation,** January to March, 1993.

Interamerican Development Bank, Venezuela, **Project Preparation Assistance for a Small Loan in the following institutions: Fundación Por Trujillo, FUDECO, Fundación Eugenio Mendoza, Fe y Alegría.** December 1989 and April 1990.

Banco del Estado, La Paz, **Evaluation of the Small and Microindustry Financial Assistance Program (PRAFINPIA).** February 1990.

Informes, SRL, La Paz, **Various consumer behavior and preference studies.** September 1980 to January 1982, February and March 1988.

Ferrari-Ghezzi, Ltda. Oruro, **Socio-Economic Study of the Labor Population of the Enterprise.** February to April 1981.

## **MEMBERSHIPS**

Member of the **Policy Advisory Board of CGAP**, June 1998 until June 2001, **Chairperson** for years 2000 to 2001.

Member of the Board of the **Ecumenical Church Loan Fund (ECLOF)**, Geneva Switzerland (1992 to 2000).

Member of the Board of **Asociación Nacional Ecumenica de Desarrollo (ANED)**, La Paz November 1992 to April 2001).

Associate member of **Centro de Capacitación de la Mujer “Gregoria Apaza”**, La Paz, Bolivia (1994 to date).

Founding Member of **CRECER, The Freedom From Hunger Foundation** program in Bolivia, May, 1999.

Member of the Advisory Board of the Master’s Program of **Universidad Católica Boliviana/Harvard University**, La Paz, Bolivia (1995 to date).

Member of the **Harvard Club of Bolivia.**

Founding member of **Centro de Fomento a Iniciativas Económicas (FIE)**, La Paz, Bolivia, November 1985.

Founding member of **Centro de Estudios y Servicios Especializados Sobre Migraciones Involuntarias (CESEM)**, the UNHCR Agency in La Paz, Bolivia. October 1982.

## **HONORS**

**Excellence in Social Entrepreneurship Award**, Interamerican Development Bank, October 2000.

## **LANGUAGES**

Spanish and English, fluent  
French, reading

La Paz, May 2001.