Department of Economics
School of Economics and Management
Lund University

Bachelors' Thesis
2007-08-31

The Canada-Haiti Remittance Corridor

Martin Ingvarsson
Annie Sturesson

Supervisor: Yves Bourdet

Abstract

Every year immigrants send home billions of dollars to their countries of origin. This so-called *remittance* flow is constantly increasing, both in scale and in importance to the economy of many developing countries. In this thesis remittance payments are discussed and analyzed in a development context. The development impact of the increasing flow of remittances is contrasted to the impacts of the decreasing flow of Official Development Assistance (ODA). It is found that remittances have development impacts, but that certain characteristics of the flow limit remittances from being a substitute to traditional development tools such as ODA. Instead the flow is ascribed a complementary role. The Canada-Haiti remittance corridor is applied as a case study and serves to illustrate how the development impact of remittances can be elevated by measures taken in *sending* countries. Based upon our *inter alia* own research conducted in Montreal we find that an increased focus on collective remittances, increased partnership with groups of migrants, so called Hometown Associations, and reduced transaction costs via increased competition between financial intermediaries are all means to augment the development impact of remittances in the Canada-Haiti corridor.

Keywords: Canada and Haiti, Economic Development, Remittances, Collective Remittances, Official Development Assistance, Hometown Associations

Acknowledgements

Writing this thesis for Lund University while living in Montreal has been somewhat of a challenge and would not have been possible without the support of several individuals. First of all, we would like to thank Mr Yves Bourdet for his enthusiasm and for putting us back on track in times of indecisiveness. Second of all, we would like to thank numerous individuals in Montreal, who have helped us in our work and to whom we owe a lot. Among many others, Mr Eric Faustin at Regroupement des Organismes Canado-Haïtiens pour le Développement (ROCAHD) and Mr Carlo Dade at Canadian Foundation for the Americas (FOCAL) have been instrumental in providing us with information. Last but not least, many thanks to Professor André Marten and Professor Dominque Caouette at Université de Montréal for your support and guidance. Thank you!

Montreal, 30th of June 2007

Martin Ingvarsson
Annie Sturesson

List of Abbreviations

BMO	Balance of Payments Manual
CIBC	Canadian Imperial Bank of Commerce
CIDA	Canadian International Development Agency
CPB	Canadian Partnership Branch
DAC	Development Assistance Committee
FINTRAC	Financial Transactions Reports and Analysis Centre
FOCAL	Canadian Foundation for the Americas
GDP	Gross Domestic Product
HTA	Hometown Association
IADB	Inter-American Development Bank
ICC	Immigration Communautés Culturelles
IMF	International Monetary Fund
OECD	Organization for Economic Co-operation and Development
ODA	Official Development Assistance
MIF	Multilateral Investment Fund
RBC	Royal Bank of Canada
ROCAHD	Regroupement des Organismes Canado-Haïtiens pour le Développement
TSG	Technical Subgroup on Movement of Persons
UNDP	United Nations Development Program

Table of contents

1. Introduction

1.1 Background

Around the world, migrant workers send billions of dollars home to their families every year. This rapidly increasing capital flow, known as remittances, has gained increased attention in the world economy during the last decade. Since the flow of today out passes total Official Development Assistance (ODA) and is catching up on Foreign Direct Investment (FDI), remittances have come to represent an important part of many developing countries' budgets. The increasing reliance on remittances has been particularly noticeable in Latin America and the Caribbean

The characteristics of remittances as a growing flow outside of state regulations have raised discussions about their potential as a tool for development. Studies however indicate ambiguous results. Critics state that a majority of the remitted money is used for consumption, which on the one hand is important for the individual's well being but on the other hand results in limited effects on the local development. Other studies suggest that remittances do have a large impact on development. Collective remittances, funds sent by organized migration groups in the Diaspora, so called Hometown Associations, are for example thought to result in a higher development impact.

Considering the development potential of remittances it is interesting to contrast this flow to the official flow aimed to augment international development, Official Development Assistance. ODA used to be the dominating capital flow in the international economy along with Foreign Direct Investment, but has contrary to remittances shown a negative trend during the last decade. Persisting poverty and underdevelopment has put into question the effectiveness of ODA, especially since many countries do not live up to the Development Goal[1] concerning ODA, set up by the United Nations. The increased importance of remittances thus justifies the question if the flow could be considered a full-worthy alternative to ODA?

Haiti is one of the most remittances-dependent countries in the Caribbean. The money sent from Haitians abroad, mainly from the United States, Canada and the

---

[1] Official Development Assistance as a percentage of Development Assistance Committee donors' gross national income. The United Nations has set a target for ODA to represent 0.7 % of the developed member country's GDP.

Dominican Republic, hence represents an important inflow of capital for the Haitian economy. In 2005 the flow was estimated to 1.65 billion US dollar, representing nearly a quarter of the Haitian economy.

Canada is a country with a large population of immigrant workers, a fair amount of these originating from Haiti. By consequence a large amounts of money is every year remitted from Canada. In 2006 the flow was officially estimated to roughly 5 billion Canadian dollars, where of approximately 248 million Canadian dollars was destined to Haiti.

Research conducted in Canada has been limited although in the last couple of years we have seen a small shift on this matter from the Canadian authorities. Small in scale but nevertheless evident, we have seen an increased recognition of remittances, as well as initiated partnership programs between the Canadian International Development Agency (CIDA) and the migration organizations in the Haitian Diaspora.

The efforts are however not sufficient and there is a need for more resources to be spent on research. The lack of research on especially the involvement of Diaspora in remittances and development in Haiti and on the Canadian remittance channels in general thus justifies a case study of the Canada-Haiti remittance corridor.

1.2 Objective/Purpose

The objective of this thesis is to assess the development potential of remittances in the Canada-Haiti remittance corridor.

In order to reach our objective the following questions are addressed:

- What are the different forms of remittances?
- What is the development impact of remittances?
- Are remittances a complement or a substitute to Official Development Assistance?
- What are the specific characteristics of the Canada-Haiti remittance corridor?
- How can the development impact of remittances in the Canada-Haiti corridor be augmented?

1.3 Methodology and Limitations

There are several factors that need to be taken into account when analysing the Canada-Haiti remittance corridor. A complete study would have required a full analyse of the sending country, often referred to as “the first mile”, *as well as* the receiving country, often referred to as “the last mile”. However, due to the scarce time frame and the fact that we actually find ourselves in Canada we have limited our research only to consider the sending country and the “first mile”. Few studies have in fact been conducted on the actors and the determinants of the flow in sending countries.

The conducting of our own primary sources on data has been limited by the lack of resources for qualified market analysis but also from the fact that the topic is a rather new area of research. Basing our study on reliable secondary sources we have complemented the scarcity of information with our own studies. Our research has been qualitative in character and has mainly involved interviews. Even if our estimations are well considered, remittances in Canada are a rather new field of study and our findings must therefore be reviewed under these conditions.

Major sources of information have been the *Canadian International Development Agency (CIDA)* and *Statistics Canada* as well as multilateral institutions such as *The World Bank* and *The Inter-American Development bank (IADB).* The Canada-based organisation FOCAL has also constituted an important fundament in our research.

The methodological choice concerning time has been based on the availability of statistics. Contrary to Official Development Assistance, which is well documented, remittances have not been profoundly examined until the late 1990s. Statistics from 2006 are the most recent available.

1.4 Outline

With chapter one coming to an end, this thesis is divided into six additional parts. In chapter two we set the theoretical framework by defining remittances and highlighting the distinction between family and collective remittances. Chapter three starts with a definition of economic development and is followed by a discussion on remittances’ potential to spur economic development. In chapter four, the development impact of remittances is compared to the impact from Official Development Assistance and in chapter five the case study of the Canada-Haiti remittance corridor is introduced. In this part of the thesis we focus on the specific characteristics of the Canadian remittance channel, its potential drawbacks and on the importance of remittances to the Haitian economy. Chapter six is devoted to a discussion on how the development impact of remittances in this specific corridor can be augmented through the use of collective remittances, formal channels and the reduction of transaction costs. Chapter seven summarize the main findings.

2. Remittances - Characteristics and Determinants

As remittances have grown to involve a large amount of capital, the phenomenon has gained increased attention by all actors in the international economy. Despite the recent attention, remittances have however only been a field of theoretical studies for a few decades and therefore the theoretical framework is scarce. The following pages review the most quoted theories on remittances and serves to illustrate measurement difficulties associated with the phenomenon, the motives behind the flow and the different kinds of remittances. This review thus sets the framework for the later on analysis.

2.1 Defining Remittances: Data and Measurement

Although remittances are commonly used as a term among researchers and academics, there has been much confusion regarding its notation. The term has in fact rarely been properly defined. Remittances are, however, generally often understood as:

> The earnings migrants send from a country other than their own to a relative in their country of origin for the purpose of meeting certain economic and financial obligations (Orozco 2006a:6)

Thus, there is a close link between remittances and the migration of people who for different reasons decides to leave their country of origin in order to be able to meet their responsibilities at home. Often cited and perhaps most accepted is the definition provided by the International Monetary Fund (IMF) in the Balance of Payments Manual (BMO). Together with the United Nations Technical Subgroup on Movement on Persons (TSG) the IMF provides a comprehensive definition of remittances. According to the IMF and TSG remittances can be defined as follows:

1. Personal transfers
2. Personal remittances
3. Total remittances
4. Total remittances and transfers to non-profit institutions serving households

(Source: http://www.imf.org/external/pubs/ft/bop/2006/06-04.pdf)

According to the IMF and the TSG definition personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from other non-resident households. Personal remittances constitute a wider concept where net compensation of employees and capital transfers between households has been added to personal transfers. Logically, total remittances and total remittances and transfers to non-profit institutions are both further extended definitions of remittances. Total remittances are identified as personal remittances plus social benefits and in the most comprehensive definition current transfers and capital transfers are further added to total remittances.

Unfortunately, there is no common practice when presenting statistics and therefore the data is often based on alternative definitions of remittances. Sometimes, remittances are defined as the sum of worker remittances and the compensation of employees[2] and other times as the sum of the above balance of payments component plus migrants' transfer. The different measures applied partly explain why researchers often arrive at different estimations. In the new Balance of Payments manual the notation "Worker's remittances" is replaced by the component "Personal transfers" (IMF 2005:2). Thus "old" data on worker remittances are directly comparable to the data on personal transfers, found in reports based on the new Balance of Payments Manual.

The divergences in estimations are also a result of the diverse methods being used for gathering data on remittances. The methods applied are complicated as they include several variables and adjustments. A major difference is that IMF bases the estimations on Balance of Payments records whereas the IADB uses another method where calculations are provided by the central bank of the remittance receiving country (GOA 2006;29) (IMF 2007). In the World Bank database, data from IADB are published.

When using the term "remittances" shin this thesis, we simply refer to the earnings migrants send from a country other than their own to a relative in their country of origin for the purpose of meeting certain economic and financial obligations. When providing data however, to avoid confusion, the definition used will always be specified.

2.2 Family/Collective Remittances and Their Determinants

Another vital classification of remittances not related to measurement is the distinction between *family, collective* and *entrepreneurial remittances*. The key difference between these three types of remittances is the actor that mediates the transfer and the use of the funds. Thus, *family remittances* refer to the private transfer of funds handled by individuals or families, *collective remittances* refer to donations by groups of migrants through community or church associations and *entrepreneurial remittances* refer to investments made by entrepreneurs seeking productive investment opportunities (Goldring 2004:8). This distinction is important since the different types of remittances have different features and more important different *development impacts*. For reasons of space and due to the chosen case study, this assessment is limited to two types of remittances: family and collective remittances. Table 1 provides a comparison of these two forms of remittances.

Table 1. Typology of Remittances

	Types of Remittances	
	Family-Individual	**Collective**
Sender(s):	Individuals	Organized migrant groups: partner groups and Hometown Associations
Recipient(s)/ Beneficiaries:	Recipients = family and relatives Beneficiaries = recipients and transfer companies	Recipients = community or targeted group within a community Beneficiaries = community, targeted groups, or productive project partners
Mediating actors/ institutions	Families, households and social networks. Money-transfer companies (formal and informal). Private sector.	Community social networks, Hometown Associations. Often in co-operation with NGOs and local, state and federal governments. Public sector.
Motivations to remit	Usually close relationships. Remittances go to the family in	Close connection between identity, place of origin, and

	place of origin.	place where collective remittances are sent.
Intended purposes	Major share of remittances = income and consumption Small share of remittances = savings.	Remittances = savings (donations, not investment).
Uses	Social reproduction (food, clothing, housing), education, health, social services. Less than 20 percent on capitalization (tools, machinery), credit, or "business" (water fees, wages, etc.). Improving well-being.	Community public works infrastructure (roads, water, electrification), social services (school equipment, old-age homes, clinic equipment). Employment generation through construction projects. Providing social citizenship benefits/goods/services

(Source: Goldring 2003:9)

2.2.1 Motives to Remit

Generally the literature on remittances distinguishes between *altruism* and *self-interest* as the two main motives for a migrant to send money home (Goldring 2004:8). According to the altruistic model, the migrant sends money out of pure concern for the well-being of those he or she left behind. Improved well-being of the household in the originating country improves the utility of the migrant, and thus plays a role in motivating his or her behaviour (Chami, Fullenkamp, Jahjah 2005:3). The model thereby emphasize the importance on the existence of a close emotional connection between the migrant and the household and it assumes that the willingness of the migrant to remit will decrease as time goes by and the family relations are weakened. Other theories argue that *self-interest* is a stronger motive power to remit than *altruism*. These theories view the household as a business or an agent that can manage the migrant's investments at home, such as buying property, land and financial assets. In this model, remittances act as other capital flows, and their stability will depend on investment opportunities, relative risk, and likely returns

(Rempell 2005:5). However, empirical studies points towards *altruism* as a better explanation for motivations to remit[3].

Even if altruism is assumed to be the major motive behind both family and collective remittances the two types of remittances have differing characteristics in other areas. A key characteristic of family remittances is how the practices associated with sending money "back home" are steeped in norms and family responsibilities. Failure to send money to one's relatives is therefore often interpreted as a form of social as well as economic failure. The factors influencing collective remittances include the migrant's sense of identity and feeling of solidarity with his or her home country, as well as socio-cultural and political bonds (Goldring 2003:9).

The potential development impact of family and collective remittances are further examined in the next chapter.

[3] See for example Bougha-Hagbe 2006 and Haque et al. 1994

3. Remittances and Economic Development

The purpose of this chapter is to identify the potential impact remittances can have on development. As remittances constitute a fairly new area of research, the number of theoretical studies focusing on the subject has been limited and therefore the theoretical framework is scarce. With help of existing research and empirical findings we have however been able to identify the channels through which the flow can spur economic development in remittance-receiving countries. A definition of economic development introduces the chapter and set the guidelines for the analysis in this section.

3.1 Economic Development: Definition and Indicators

For many years economic development was measured by economic growth, the annual rate of growth in per capita income. The appropriateness of the measurement has however been questioned. Firstly, the measure has been criticised for neglecting non-market transactions such as services within the home and in the informal sector, which includes all economic activities beyond governmental regulations. Secondly, GDP has been criticised for not taking into account environmental costs such as depletion of natural resources and its limited estimation of social well-being (Lynn 2003:21). Finally, the limitations of the measurement has also become evident due to the fact that countries have been able to obtain tremendous income levels without developing the structure of the state or the economy. Following these objections, the concept of economic development has been revised to include more qualitative dimensions. With economic growth as starting point most recent definitions of economic development also includes requirements regarding structural change and the standard of living (Hess and Gross 1997:8). Thus, an example of a valuable definition of economic development is as follows:

> Economic development means sustained and sustainable growth in per capita income, accompanied by diversification of production, reduction of absolute poverty, and expanding economic opportunities for all citizens.
>
> *(Lynn 2003:4)*

In the definition applied in this thesis we have chosen to complement economic growth with indicators providing economic development with a social dimension;

poverty reduction and human capital. Thus our extended definition of economic development contains:

i. Economic Growth: The standard form of measurement is Gross Domestic Product, the channel value of final product in a year, which divided by the population states GDP per capita. Different economic growth models tries to identify the sources of growth; the perhaps most important one being the Harrod-Domar model identifying capital investment and savings as the key conditions for an economy to achieve steady growth (Hess and Gross 1997:64). According to the theory an economy can be limited to a certain growth rate due to a limitation in either devises or in savings.

ii. Human Capital: The contributions of human capital to economic growth and economic development have gained increased recognition during the last decades. Studies suggest nutrition, health and education as the major components of human capital formation (Hess and Gross 1997:220). In this thesis we are focusing on the educational aspects of human capital. Education is considered to spur economic growth, lead to a more skilled and productive work force and enhance labour mobility and technical progress. By adding human capital as a variable to economic development we underline the importance of investing in education and hence in people.

iii. Poverty: The persisting problem of global poverty has made it clear that economic growth does not guarantee an increased standard of living for some of the poorest people. Measuring poverty is no simple matter, there are various numerically defined methods to measure and quantify poverty. One of the three most recognized methods, *the poverty head count index,* measures the percent of people living below the poverty line. Some countries have their own specific poverty line, deemed appropriate for a country by its authorities. Countries such as Haiti lacking their national poverty line do however apply the reference line set by the World Bank at $1-a-day (World Bank 2007). Secondly, *the poverty gap index* measures in percentage how far the average expenditures of the poor fall short of the poverty line. The third one, *the squared poverty gap,* indicates the severity of poverty. Another important aspect to include is inequality. An often-applied method is the Gini coefficient that measures inequality of a distribution of income as a ratio with values between 0 and 1 (Adams and Page 2005:3). By identifying poverty reduction as a variable, the definition of economic development also takes into account increased well-being for the poor.

3.2 Remittances: Development Impacts

3.2.1 Remittances and Economic Growth

Glytsos (2002) depict two channels through which remittances can have an impact on economic development and economic growth; by providing foreign exchange and by supplying additional funds for savings and investment. Starting with the first one, remittances constitute an important flow of foreign exchange that according to theories within development economics can spur economic growth. As argued by Chenery and Bruno (1962) a balanced growth can be maintained by a trade-off between foreign exchange flows and a net import-export flow that may help the structural transformation of the economy and hence move resources from the non-traded to the traded sector of the economy. From this follows that "a country may be constrained from achieving a faster rate of growth just by the fact that the country lacks enough supply of foreign exchange" (Bliss 1989:1196-97). Thus, by providing a steady flow of foreign capital remittances can play an important role in lifting that constraint.

Continuing with the second channel, remittances provide countries with additional funds that can be used for savings and investment. According to endogenous growth models[4] used within macroeconomics as well as the Harrod-Domar[5] model used within development economics, savings and investment is the main factor behind long-run economic growth. For countries with a low voluntary savings rate from domestic sources there is a need for additional savings, which has to come from abroad in the form of foreign capital or aid. Consequently, a significant inflow of foreign capital in the form of remittances can have long-run effect on economic growth. Crucial for the magnitude of this effect is in what form the capital

[4] In endogenous growth models the long-run growth rate of output per worker is determined by variables within the model. This suggests policy measures to have an impact on the long-run growth rate of an economy. See for example the models of: Romer (1990) and Lucas (1988).
[5] See Harrod (1948), Domar (1957)

inflow enters the economy. If remittances are mainly spent on savings and investment one should expect to see a long-run effect on economic growth. If, on the contrary, a large fraction is spent on housing, land and consumer goods the money does not contribute to productive investment and the result is a short-run growth effect in the economy.

Several scholars have put emphasis on the fact that remittances can have a negative impact on national economic growth in the medium and in the long run. Drinkwater, Levine and Lotti (2002) question the extent to which remittances actually boost the economy of the migrant-source country since it has been shown that approximately 80 percent of remitted money goes to daily consumption (and only 10 percent to savings). Chami, Fullenkamp and Jahjah (2005) follow the same line and point out a potential moral hazard problem due to the fact that remittances may reduce families' incentives to work. Additionally it has been argued that remittances may exert upward pressure on the real exchange rate and reduce the competitiveness of the export product leading to an outcome similar to the one in the case of Dutch Disease[6].

Recent strands of literature do however provide a somewhat different picture. Giuliano and Ruiz (2005) comes to a dissimilar conclusion than the above mentioned when using cross-country data series for a large number of developing countries to investigate remittances' impact on economic growth. Their findings are that while remittances' relationship with per capita GDP is not statistically significant, remittances do promote growth in less financially developed countries. In a recent study Catrinescu et al. (2006) question the result of Chami, Fullenkamp and Jahjah, and reject the existence of a negative impact of remittances on economic growth. Instead the authors find indications on a positive, albeit mild, impact. As emphasized by Glytsos the argument that remittances have little effect on long-run economic growth since the main part goes to daily expenditures ignores the fact that some "consumption" items, such as education, actually is investment in human capital (2002:15). Consequently it is misleading to say that it is only the savings share that has a potential impact on growth since money spent on education means a build up in the human capital of the labor exporting country. Another principal aspect on consumption evaluated by Durand, Parrado and Massey (1996) and emphasized by

[6] Dutch disease occurs when an inflow of foreign currency raises the value of that nation's currency, making domestic goods less competitive with other nations, leading to increasing imports and decreasing exports. For a throughout analysis see for example Bourdet and Falck, 2006.

Ratha (2003), is the multiplier effect remittance money can have in the economy of destination. In a case study Durand, Parrado and Massey evaluate the impact of migradollars[7] circulating in the Mexican economy and conclude that although migradollars from the US seldom goes to savings and investment they augment a demand leading to more production, higher employment and increased national income. Thus, through this multiplier effect the authors estimated the arrival of $2 million migradollars to generate a $6.5 million worth of additional production at the national level in Mexico.

3.2.2 Remittances and Poverty

There are two opposing perspectives dominating the debate of remittances impact on poverty, the *developmentalist* perspective and the *migrant syndrome* perspective. According to the *developmentalist* perspective, remittances have the potential to start a development process in the originating country. The perspective emphasizes remittances role in offsetting production and investment constraints and raising income levels in the originating country. The *migrant syndrome perspective* on the other hand take a more critical point of view, focusing on migration leading to a drain on labor and capital resources of the migrant-sending area. According to this perspective, migration may even reduce income in the migrant-sending area, given that the marginal product of a migrant's labor is large prior to migration or migrants bring productive capital with them when they leave (Taylor, 2000)

These contrasting perspectives are reflected in the ambiguous result in empirical studies. While certain scholars claim remittances to have a negative and statistically significant effect on poverty, others are more sceptical about the potential of remittances. The view of the first group is supported in three recent cross-country studies:

- Adams and Page (2005) use a large data set that includes information on international migration, remittances, income inequality and poverty for 71 developing countries and find that remittances have a strong impact on reducing poverty, controlling for income (or its growth) and inequality. According to an

[7] Notation used by Durand et al. meaning "Remittance money", in this case from the US.

estimation made by the authors, a 10 percent increase in international remittances from each individual migrant, will lead to a 3.5 percent decline in the share of people living in on less than one dollar a day. If the more sensitive measure is used –the poverty gap and squared poverty gap –the impact of a 10 percent increase in the share of remittances is estimated to a 2.1 percent decline in the depth and/or severity of poverty in the developing world (Adams et al. 2005:1655)

- Munzele (2005) uses a cross-country data set composed of 71 developing countries to estimate a growth-poverty model. His results show that "official international remittances reduce poverty in the developing world and that total remittances reduce the level of poverty in South Asia".

- Spatafora (2005) reports similar results using data from a sample of 101 countries for the period 1970 – 2003. Her results indicate a link between remittances and poverty reduction.

However, as also highlighted in the *migrant syndrome* perspective portrayed above there is problems associated with remittances and inequality. The overall view is that the reduction of poverty is not equally distributed. In theory, the beneficial impact on poverty and inequality is maximized for the sending country if migrants are low-skilled or unskilled workers (Kapur 2004:17). The reason for that is not only the fact that remittances are directed at poorer households, but that the supply of unskilled labor in the source country is reduced, thereby increasing unskilled wages of those left behind. Consequently, as migrants are not necessarily drawn from the poorest households in their country of origin the direct effect on the poorest groups may be limited (Kapur 2004:17).

The empirical findings on this are not surprisingly fairly ambiguous and provide not much of guidance. Some scholars find a negative impact on inequality (Stark, Taylor, and Yitzhaki 1986; Adams 1991), while others claim a positive impact on income distribution as a result of liquidity provided for capital accumulation, or through trickle down effects[8] in the labor market (Taylor and Wyatt 1996). Despite the fact that there is no consensus on the negative effects of remittances on poverty, unequal income distribution as an effect of the arbitrary nature of the flow nevertheless constitute a potential problem.

3.2.3 Remittances and Human Capital

Another mean through which remittances can have both direct and indirect effect on economic development is through increasing human capital. Maurice Kugler suggests two different ways in which the effects of remittances on education can be understood (2005:6). According to Kugler the remittance flow can be seen as the physical effect of migrants *borrowing* and *lending.*

1. Remittances may be seen as a *repayment of loans* used to finance educational investments. The basic assumption is that the prospect of future remittances makes families invest in education *although* there is uncertainty about the fact that the educated individual actually emigrates (and start to send money back home). Consequently, the prospect of migration is thought to make education a profitable investment for the family and encourages families to send their children to school. In this case, "remittances are a financial arrangement to make possible the materialization of the brain gain brought about by migration prospects" (Kugler 2005:6) and the migrant is here seen as a *borrower*. There is however a risk that a too large outflow of educated people turns the investments in human capital into a brain drain instead of a brain gain[9]. If this is the case the effect of remittances on human capital accumulation will be negative.

2. Remittances may be seen as the financing of education for the migrant's household members who stay back home. Given the relatively high income elasticity of education in most recipient countries one would expect education attainment to be positively correlated with households with migrant members

[8] Term commonly used to describe the effects of a high income tax-cut on the people who do not directly pay the taxes.
[9] The term "brain gain" is used to describe a net human capital inflow into a country as effect of migration. A brain drain is a net human capital outflow.

(Kugler 2005:6). Thus, in this case, remittances foster human capital accumulation by making education possible for the migrants' family back home. The migrant does in this case take the role of a *lender*.

Few empirical studies have examined the linkage between remittances and education, most of them relating to the lender function of the migrant.

Cardona and Medina (2006) investigate the effect of remittances on expenditures for four different categories: consumption, education, healthcare and financial investment. The authors find evidence for a change in the expenditure pattern only for education; on average remittance recipient households spend 11 percent more on education compared to non-recipient households.

Kugler (2005) goes one step further by evaluating the effects not only on recipient households but also on the economy as a whole. He establishes that education financed by remittance money can generate job creation spill-overs such as businesses post vacancies as a reaction to the increased supply and quality of human capital. Thus, due to this indirect effect of remittances there is a potential increase in human capital across all households as the labor market becomes thicker.

For Mexico, Lopez-Cordova (2004) concludes that a one standard deviation increase in the fraction of households receiving remittances within a municipality results in a 4 percent increase in school attendance and a fall in illiteracy of 40 percent.

3.2.4 Collective Remittances and Economic Development

In a development context the distinction between family and collective remittances is important since the two forms differ in their uses and functions. The term "collective remittances" came into practice in the 1990s to describe a long-standing practice; migrant groups' initiatives to finance and carry out projects to benefit their communities of origin (Goldring 2003:6). These kinds of migrant groups are an important part of the so-called Diaspora. The Diaspora can be defined as a socio-political formation of migrant groups whose members regard themselves as being of the same ethno-national origin and who maintain contacts with their homeland and with individuals and groups of the same background. Members of Diaspora often group themselves in Hometown Associations, HTAs, which are organizations of migrants who raise funds for development projects in their places of origin. The collective remittances spurred through HTA and other migrations groups are often intended for a specific, development-related purpose, such as community development or infrastructure improvement projects (Orozco 2003:1).

Due to the assumed development potential of collective remittances, governments in developing countries have taken actions to foster these migrant-related initiatives. In Mexico and El Salvador the governments have initiated a matching-grant program Three-for-One Program, to partner with HTAs. Besides governmental initiatives financial institutions and multilateral organizations such as the World Bank work to promote this form of remittances (Orozco 2003:17). In contrast to collective remittances, family remittances are considered to have a much more limited impact on development as they are mainly spent on consumption, social reproduction (food, clothing, housing), education and social services (health). Studies differ in their estimation but in most cases a minor part, around 10 percent of the flow results in savings (Chami et. al. 2005:2).

The literature on remittances suggests a connection between the flow of capital and local development. However, to fully take advantage of the development impact from collective remittances they need to involve "productive" projects, implying projects adapted to the characteristics of the channel and which generate rents. Still, it is clear that most collective remittances have been made under a model that bears more resemblance to non-profit donations than capital investments (Goldring 2003:16). Despite these limitations collective remittances are by many researchers still considered as a mean to spur development.

Several studies have been made since 2000 on the role of HTA in development but few scholars have conducted a systematic analysis. Some scholars argue that HTAs promote development as long as they are designed to generate wealth through investments (Orozco and Welle 2004:11). Alarcón argues that HTA projects rarely results into sustainable development with the exception of infrastructure projects that improve economies by facilitating economic transactions (2000:34). On the other hand Wise and Ramírez find investment by migrants to hold the greatest potential for promoting productive investment and encouraging local development (2001:11) However, as these projects are still relatively new it is too early to evaluate their potential as effective agent of economic development. As what concerns human capital formation collective remittances are thought to represent another connection between the capital flow and human capital due to the work of Hometown

Associations and other Diaspora groups. A study of Mexican HTAs by Alarcón and Iñiguez (2000) indicates how the groups first of all spend their money on infrastructure, but also on schools. Several HTA support scholarships programs to pay for school fees at local school or schools in the United States. Through the three-for-one program with the Mexican government some HTA are even involved in larger school building projects (Alarcon 2000:7). These form of projects imply that collective remittances can improve human capital both through increasing school attendance and the supply of school facilities. By adding the means of which family remittances can spur investment in education the connection between remittances and human capital becomes evident. Most authors seem to agree that HTAs at least have contributed to improve the quality of life in the concerned hometowns.

3.3 Summary

In this chapter we have identified several linkages between remittances and economic development. In doing so we have found an overall positive impact from the former on the latter and thus stated the potential positive role remittances can play in the area of economic development. We have also argued the differing characteristics of collective and family remittances and how collective remittances have a higher potential to contribute to development. Our main findings were that remittances can spur economic growth by providing foreign exchange and additional funds for savings and investment, reduce poverty by releasing consumption constraints and accumulate human capital by creating opportunities for families to invest in education. Reasons for families to invest in education are created as the prospect of migration is thought to make education a profitable investment for the family. As we also noticed, however, remittances shows limitations considering their impact on development and hence making the leverage of the impact somewhat unclear. Firstly, we saw that the effect of remittances on economic growth is fairly ambiguous. On the one hand remittances seem to have limited growth effects due to the fact that the main part of the money goes directly to daily consumption. On the other hand this can have augmenting effects on demand leading to higher production and employment and increasing national income: "the multiplicator effect". Collective remittances on the other hand are stated to have higher investment value but to fully take advantage of their development potential the money has to involve productive projects.

Secondly, as stated above remittances seem to have an overall positive impact on human capital both when it comes to increasing school attendance and the number of school years. Collective remittances can in partnership with the state or on their own contribute to the supply of educational institutions. However, as the prospect of future remittances creates incentives for educated people to leave the country of origin, a net outflow of human capital (a "brain drain") constitute a potential problem.

Finally, even if remittances have been stated to reduce poverty, the arbitrary nature of the endowment does not guarantee a positive effect on equality. The determinant will be the economic status of the migrant family prior to migration and hence both positive and negative empirical evidence on equality has been found.

4. Remittances and Official Development Assistance – Substitutes or Complements?

In the preceding chapter we concluded that remittances have a potential positive impact on economic growth, poverty reduction and human capital. In this chapter remittances are compared to the traditional capital flow aimed towards international development, Official Development Assistance (ODA). Thus this chapter assess the role of remittances in relation to ODA by analysing and comparing the characteristics and the potential impact on economic development of the two flows. The explicit question examined in this chapter is whether remittances entail a role as a substitute or a complement to ODA.

4.1 Definition: Substitutes and Complements

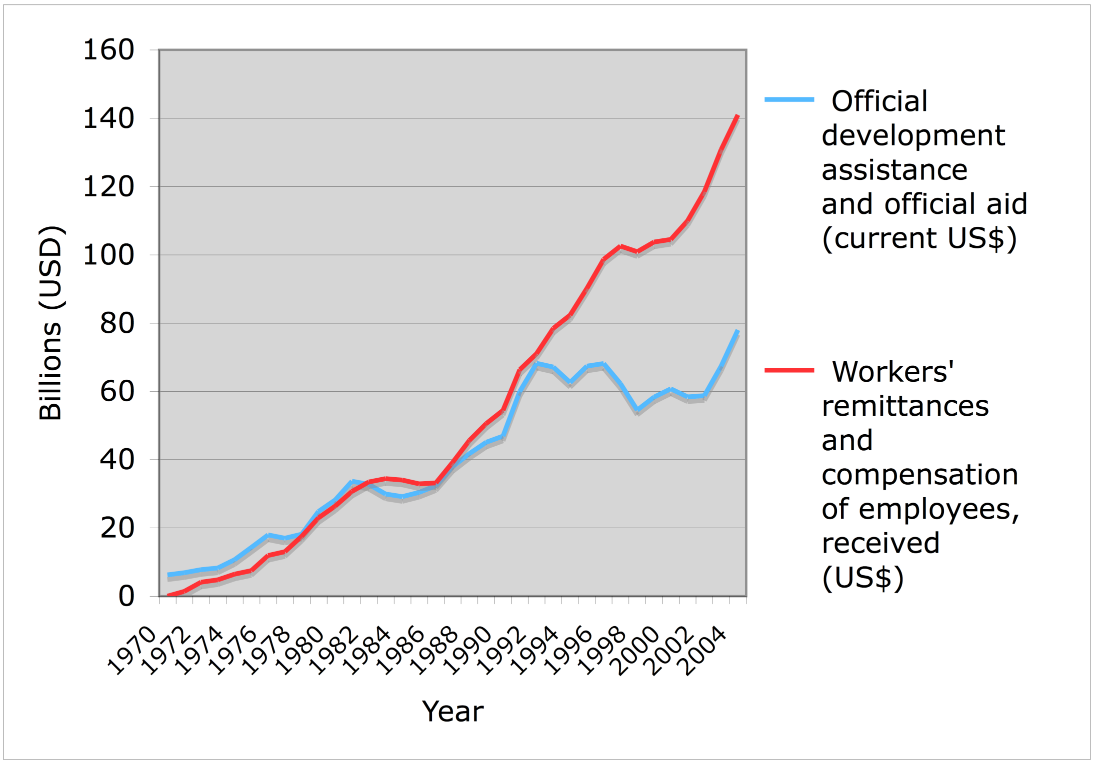
A discussion of remittances as a substitute or a complement to ODA first of all requires a definition of the terms *substitute* and *complement*. By *complement* in this paper we mean something that completes, makes up a whole, or brings to perfection. Thus, a complement is a part either of two parts that complete the whole or mutually complete each other (Varian 1999: 36-37, 105-106). Contrasted to this is the *substitute*, which takes the place of another and constitute a replacement. Thus, two phenomena that have the same features, serve the same purpose and have the ability to replace each other are substitutes (Ibid. 1999: 36-37, 105-106). Complements differ from substitutes in the sense that they do not have the ability to replace each other, but can jointly make something more complete.

4.2 Remittances and ODA: Size of the Flow

Official Development Assistance is experiencing a negative trend. The decreasing flow is a reflection of donor countries lacking commitment to reach up to the United Nations target for ODA to represent 0.7 percent of the country's GDP. As for 2005 only five OECD countries fulfilled the target (OECD 2005b:3). Due to the donor countries weak commitment and changes in the international economy concerning debt crisis and private lending the importance of ODA in comparison to other external capital flow has fluctuated drastically during the last decades. However, even if ODA in real terms has decreased for many developing countries foreign aid still remains the primary source of external resources. In low income countries ODA represent on average 3 percent of GDP (Lynn 2003:3). These figures can however vary distinctly between regions and also over time; for Haiti ODA represented up to 23.9 percent of GDP in 1995, but decreased to 6.3 percent in 2004 (World Bank 2007).

Figure 1 show how the aggregated flow of ODA in the World increased from 1970[10] to the early 1990s and how it since then has remained relatively stable and on average slightly decreased. The figure also show how ODA and remittances followed approximately the same trend during the 1970s and 1980s but how remittances bypassed ODA in the early 1990s. From 1994 to 2004 the remittance flow has continued to increase while the flow of ODA has remained relatively stable. Thus, for 2004 remittances exceeded 140 billion USD, while the corresponding figure for ODA was 70 billion USD (World Bank 2007).

Figure 1: *Worker remittances and Official Development Assistance 1970-2004 (USD billions)*



(**Source:** World Bank 2007)

It is however important to state that any comparison with ODA and remittances need to be interpreted with some caution. Firstly, estimations of the remittance flow often include countries that are not eligible to receive ODA.

10 Data on remittances not available for 1970

Secondly, these estimations also include remittances sent from one developing country to another. Lastly, the remittance flows is measured gross while aid flows are usually quoted net (Ghosh 2006:25). Due to these incoherent measurement methods the OECD has performed a study comparing ODA with the flow of remittances from DAC countries to ODA recipients. The study values the remittance flow to about 34 billion USD in 2000, somewhat more than half of the flow of ODA estimated to 69 billion USD (OECD 2005a: 2). The study thereby implies that many comparisons overestimate the relative importance of remittances compared to ODA. However, even if the accuracy of the estimations in exact numbers could be questioned, statistics from the World Bank and other research institutions of significant size indicate a general trend of remittances' increasing importance.

4.3 Remittances and ODA: State Intervention

According to the Development Assistance Committee (DAC) of the OECD, Official Development Assistance is defined as:

> Grants or Loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms (OECD 2007).

Flows can thus either come in the form of grants, contributions or loans, but they must contain a minimum grant element of 25 percent or more. The aid's concessional character implies terms of interest rates, repayment period and grace period conditions to be more favourable than ordinary loans (CIDA 2006:9, Lynn 2003: 378). Consequently, ODA is a state initiated phenomena aimed to encourage the development and welfare of developing countries.

An intervention of donor government that often has been subject to critic is the practice of tying official aid. Firstly, tied aid restricts the aid to the purchase of inputs from the donor country. Secondly, the value of aid is reduced if the companies the recipients are obliged to buy from are not the most cost-effective option. Finally, tied aid may act as a constraint against greater donor co-ordination (CIDA 2002a: 20). The practice of tied aid has however been reduced; in 1995 it accounted for only a fifth of all aid (World Bank 1998:6)

Remittances are on the other hand a non-regulated flow mediated by the private sector and thereby cannot be tied to serve state interests. The flow is only under a limited level of stately surveillance and the regulatory environment for remittances differ between the sending countries. Most remittance activities also involve the use of informal channels not involving banking intermediaries, making the lack of state intervention even more obvious.

4.4 Remittances and ODA: The Impeding Effect of Weak Institutions

Studies concerning ODA's ability to contribute to economic development indicate the importance of the receiving government's actions. A study from Bowen (1998) states that in order for ODA to be able to spur growth, the receiving countries need to be capable of managing the aid, which requires a certain level of the institutions and the political system (Bowen 1998: 57). The importance of good policies is further underlined on studies concerning poverty. According to the World Bank the effectiveness of ODA to reduce poverty depend in particular on the institutional environment. If donors favor countries with sound economic management a $10 billion increase in aid would lift 225 million people a year out of poverty, whereas if countries with a weak environment are included the increase would only help 7 million people out of poverty (World Bank 1998: 34). Viewed against the background that remittances are arbitrary in nature, institutions also have an important redistributive function. As stated in chapter 3, even if remittances are thought to reduce poverty, the arbitrary nature of the endowment does not guarantee a positive effect on equality. Thus, without a redistributive system, there is a possibility that the inflow of remittances will increase the poverty gap in the receiving country. This will for example be the case if migrants are not drawn from the poorest households in their country.

Similarly, a number of studies concerning remittances indicate that institutions also have a determining influence on remittances potential to spur economic development. Faini (2002) find a positive impact of remittances on growth, but also that a sound policy environment is needed in order to reach the full impact of remittances. A study by Catrinescu (2005) suggest that remittance receiving government's focus on strengthening their institutions has a larger impact on the income generating effect of remittances than governmental attempts to simply increase the flow itself.

Weak institutions do thereby seem to have a hampering effect on both the development impact of remittances and ODA. Of crucial importance is however that the two capital flows differ in their potential to spur institutional changes. The main difference is that ODA concerns bilateral or multilateral state co-operation and thereby provides the donors with the basic tools to oblige the receiving states to pursue institutional changes. The increased emphasis on good governance has been reflected in the practice of conditionality among donors. The adjustment programs are promoted to foster good policies and to provide with macro economic stability essential for renewed growth (Lynn, 2003: 449). These measures do not apply to remittances as a flow outside of state regulations. Thus the fact that remittances constitute an unregulated flow, limit their potential as a mean to obtain strengthened institutions.

4.5 Remittances and ODA: Macroeconomic Effects

Studies also suggest important difference between the two capital flows on a macro-economic level. As stated earlier, family remittances go directly to households and their macro-economic development impact depends on whether the resources are used for consumption or for investment. Collective remittances relate to the public sector by providing some social services, but the effect on community development or state policies is still limited (Ghosh 2006: 57) (Orozco 2007: 5). Despite positive effects, especially at the household and local levels, there are therefore doubts on remittances' potential to spur the settings for sustainable growth: "Remittances cannot create the right conditions for genuine development" (Ghosh 2006: 57).

The development impacts of ODA are equally debated but in contrast to remittances, ODA is considered to have the mechanisms to bring about macro-economic changes. Through bilateral and multilateral agreements, macroeconomic adjustment programs are applied to provide with macro economic stability essential for renewed growth (Lynn, 2003: 393). Hence, even if the success is far from certain, ODA still has comparative advantages to remittances in the role as an initiator of macro-economic adjustments.

4.6 Summary

In this chapter we have discussed how the different characteristics of remittances and ODA affect their ability to spur economic growth. In table 2 the core characteristics of the two flows as described in this chapter are summarized.

Table 2: The Characteristics of Official Development Assistance and Remittances

	ODA	**Remittances**
Senders	State actors -Multilateral institutions -Official development agencies.	The private sector -Individuals (family remittances) -Hometown Associations (collective remittances)
Trend	A decreasing flow. In the Carribean region ODA represents on average 1* percent of the countries' GDP.	An increasing flow. In the Caribbean region remittances represents on average 13* percent of the countries' GDP.
Regulation	The practice of tied aid concerns a fifth of the flow	Outside of state regulation and partly through informal channels

*(Source: IMF 2005b:74)

The main learning from this is that remittances, as a large flow outside of any state regulations, constitute an interesting supplement to Official Development Assistance, but not a substitute. We pointed this out by showing how the two flows differ in terms of state intervention and thus also the ability to influence institutional and macroeconomic change. Vital is the fact that the flow is practically unregulated, which on the one hand hinder states' interests to intervene but on the other hand limits remittances potential role in strengthening institutions. On the contrary ODA entails the measurement to pressure receiving governments to commit themselves to pursue improvements in their institutional and macro-economic structures. Even if these practices on their own do not guarantee successful changes they ascribe ODA an important role as a force to promote settings favourable for economic development in the long term. Regarding the question of remittances role as complement or a substitute to ODA we thereby argue that remittances lack some of the fundamental mechanisms necessary to replace ODA. It is nonetheless important to acknowledge the central role remittances play in developing countries economy. In the next chapter we look into how the development impact of remittances could be strengthened and how its role as complement to ODA can be put into practice in the remittances corridor Canada-Haiti.

5. The Canada-Haiti Remittance Corridor

In the following case study of the Canada-Haiti remittance corridor the focus is on the determinants of the flow of remittances from the sending country. Depending on the structure and the characteristics of the remittance corridor, the conditions for remittance sending activities may be more or less favourable. Crucial is the regulation of the corridor, the data and measurement practices, the actors in the corridor and the competition between financial intermediaries. Departing from the findings of the potential but also the limitations of remittances as a tool for development, stated in the preceding chapter, of particular interest is how this can be used in order to improve the development impact in the corridor. This is done in chapter 6. However, in order to be able to draw any conclusions an elaborated analysis of the characteristics of the Canada-Haiti remittance corridor and its actors is first needed. This is the undertaking of this chapter.

5.1 The Canadian Remittance Channel and its Regulations

At an aggregated, international level, one does often speak about one, single, global channel for remittances. On the national level, however, the channel should rather be seen as consisting of several different bilateral channels between rich and poor countries, each one with its own actors and characteristics (Robinson 2005:104). When studying the channel for remittances in Canada one must thus remember that instead of having one uniform channel there is one Canada-Jamaica remittance channel and equally one specific Canada-Vietnam channel as well as an Canada-Haiti channel. The channels differ in terms of their socio-economic and demographic structure but also in the number and the structure of financial intermediaries. Hence, there can be significant differences in for example market competition due to the number of firms existing in each specific channel.

In contrast to remittance channels in most other countries the Canadian channel is almost completely unregulated. There is no license requirement for entering the remittance business and companies do not have to report volumes to the government (Fox, April 12th 2007). The only regulation remittance companies are subject to is an anti-money laundering regulation. Suspected transactions must immediately be reported to FINTRAC –an organisation whose mandate is to deter money laundering and terrorist financiation.

5.2 Data and Measurement Problems

There is no accurate data on the remittance flow from Canada and the government does not prepare official estimates. The figures that nonetheless have been presented by institutions or scholars[11] are rough estimates and should be seen as indicators rather than precise estimates on the real size of the flow. The significant difference between the estimations further show this point. Canada's Balance of International Payments provides the following figures on remittances for the period 2001-2006 (CAD billions)[12]

2001: 2,939
2002: 4,333
2003: 4,198
2004: 4,657
2005: 4,812
2006: 6,308

The source of the estimates is the Survey of Household Spending from which the contribution in money and support payments to persons outside Canada is derived (Caron, March 20th 2007). Unfortunately there is no geographical breakdown and hence no official estimations on the flow to different regions. This is nothing that is specific to Canada and there are probably very few countries that get direct information on remittances and a lot of countries have to derive the values from different sources. The Bureau of Economic Analysis in the United States for example generates statistics on remittance by country based on estimates of the income remitted, the number of immigrants and their duration of stay. According to Denis Caron at Statistics Canada one could follow such methodology but will first have to find more information about how the pattern of remit varies depending on among other factors the origin of the migrant, the number of years in Canada and the income of the migrant (March 20th 2007).

With no geographical data breakdown on the Canada-Haiti remittance flow, estimations run the risk of becoming more or less pure speculations. It is therefore important to critically evaluate what assumptions the estimations are based on. Recently the IADB's Multilateral Investment Fund completed a nation-wide survey

[11]Rudi Robinson (2005): US$10 –US$15 billion/year, Manuel Orozco (2004): 4 billion/year;
[12] Remittances are here presented as "Private/Personal remittances" see definition in section 2.1. Amounts in CAD.

of remittance recipients in Haiti and found that of the 31 per cent of Haitians that receive money from abroad, 14 per cent have relatives in Canada. With total remittances to Haiti reaching 1.65 billion USD in 2006 (IADB 2007) the flow from Canada to Haiti could therefore be estimated to approximately 230[13] million USD for that year. In 2006, one of the leading researchers on remittances, Orozco conducted another estimation on the remittance flow between Haiti and Canada. By assuming a monthly transfer of 150 US dollar and with 70 percent of all adults remitting he estimated the flow from Canada to Haiti to between 65,520,000 and 75,600,000 USD (Orozco 2006b: 6). The large difference of these two estimations brings to question both the accuracy and the value of these kinds of estimations. Thus there is a call for a measure of caution when interpreting these results.

In anticipation of more reliable data, the significant absence of data and the lack of a common reporting procedure constitute a problem and have serious effects when it comes to understanding the importance of remittances. Until now, remittances have not gained the same degree of attention from policy-makers as for example large-value transfers, which form the bulk of international payments. As put by Ratha and Riedberg, one reason for the apparent lack of attention is this obvious lack of adequate data (Ratha and Riedberg 2005:28). The logic behind this statement is simple; until the size of the flow is known, remittances will not gain recognition, not among policy makers and nor among the public.

The magnitude of the lack of both data and recognition in Canada is best exemplified by the preparatory work of the report *Remittances: A Preliminary Research International Policy Coordination Citizenship and Immigration*, CIDA (2004a). While conducting research on remittances for the report staff from the following government departments and institutions were contacted by the researchers: *The International Development Research Centre (IDRC), The Departments of Demography and of Economics of the University of Montreal, The Department of Economics of the University of Toronto, Finance Canada, Industry Canada, Statistics Canada, The Office of the Superintendent of Financial Institutions and the*

[13] This is the same estimation as the one provided in the introduction on page 8. For comparability reasons the figures on page 8 have been recalculated to Canadian Dollars using the average exchange rate for the period 2007.03-2007.08.

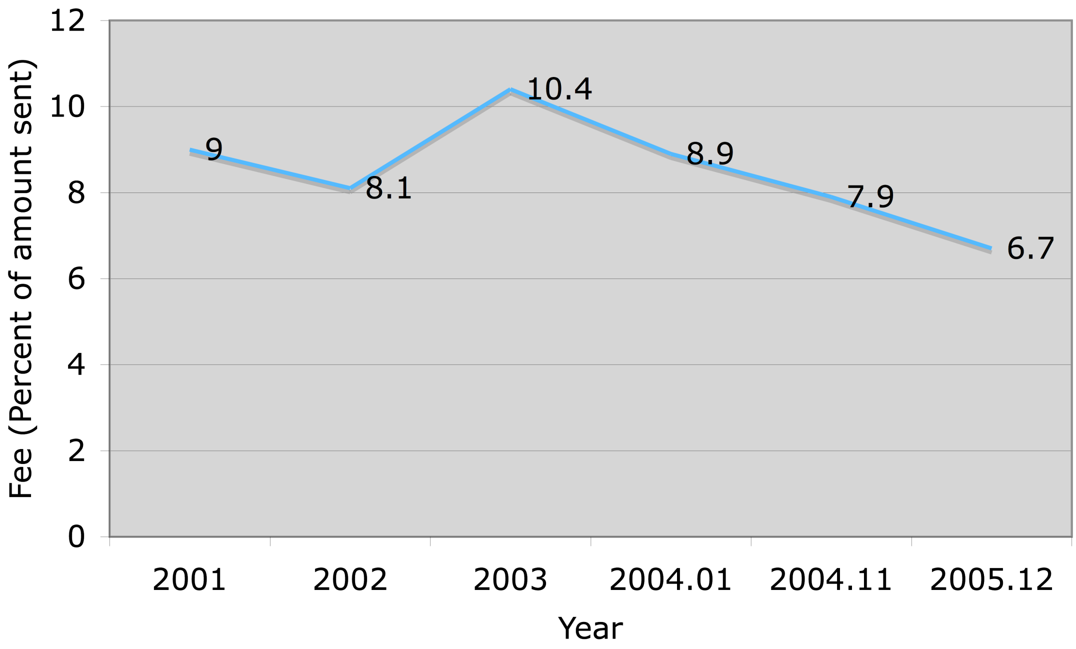
International Monetary Fund. None were able to provide any data sets on remittances from Canada.

5.3 Prices, Costs and Volumes

As described by De Luna the fees for transferring money from one country to another can be said to consist of three different components (De Luna 2005:15). The first component is the fee the senders pay to the service provider in the originating country. This component constitute approximately 10 percent of the total fee and is determined in the country of origin. The second component refers to the exchange rate spread companies apply to convert a remittance into the local currency in which the beneficiary receives the money. In some corridors remittances can be sent and paid in the same currency and in those corridors this component does not apply. For the Canada-Haiti corridor this is obviously not the case since the currency in the receiving country is the Haitian Gourde. The third component is the fee that the beneficiary sometimes needs to pay when he receives the money. This fee varies by institutions and the type of services used for remitting the money. Some banks do for example charge a fee for depositing remittances into the beneficiary's account or for the use of an ATM to withdraw funds. The main determinant of the total transfer fee is the competition in the market for remittance services.

It is interesting to notice how the increase of the number of firms in the Canada-Haiti remittance corridor during the last couple of years has been followed by a decrease in transfer costs. Figure 2 show the declining trend in fees for money sent to Haiti:

Figure 2: Cost of sending US$ 200 to Haiti



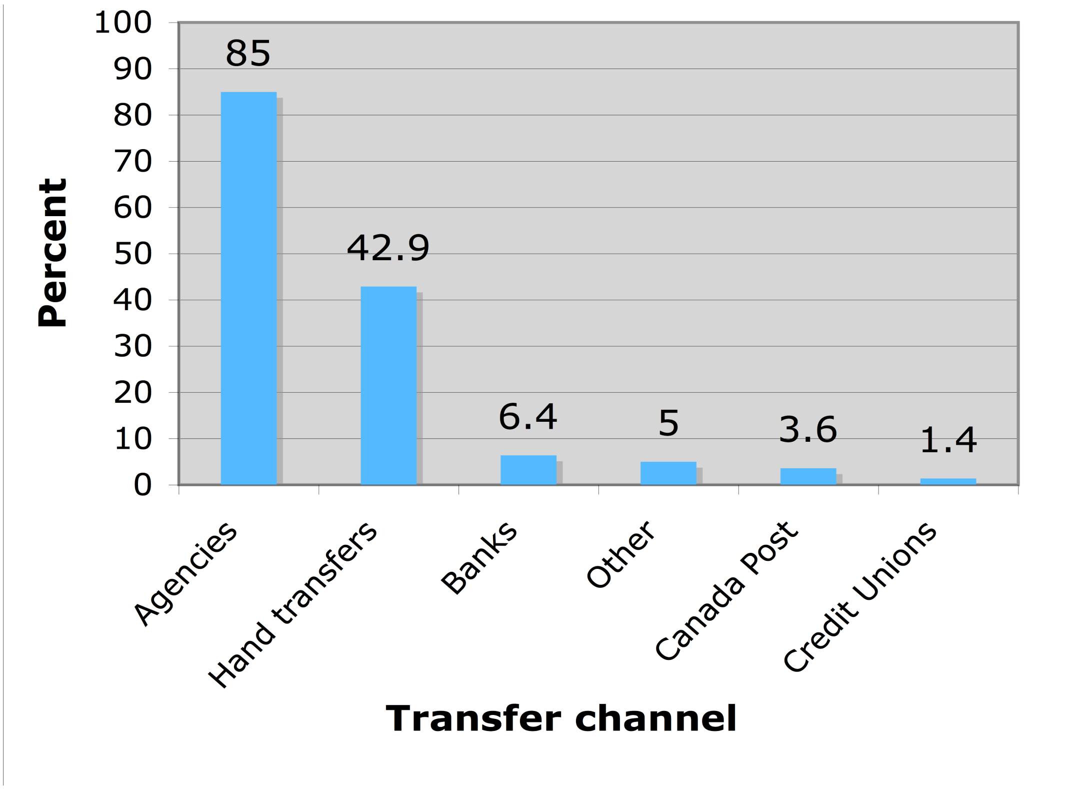
*(**Source:** Orozco 2006)*

As demonstrated in the figure, the fees have changed from constituting almost 10 percent of the total amount in 2001 to 6.7 percent in 2005. However, despite increased competition and a declining trend in transfer fees, costs are still too high and are also so considered by Haitians living in Canada. A survey conducted by Simmons, Plaza and Piche in 2005 revealed that 60.7 percent of the Haitians living in Canada felt that transfer costs were expensive. In addition to that, 15.7 percent stated that they had postponed a transfer due to the too high transfer fees (Simmons et al. 2005:9). Despite the limited size of the survey conducted by Simmons these results show that high transaction costs are still one of the obstacles to an increased flow of remittances in this corridor. Due to the fact that the second component of the transfer fee is prevalent in the Canada-Haiti corridor, an increased competition is however likely to have large effects on the channels average fee. As showsn by Orozco, transfer fees tend to decline much more in corridors where currency conversion is not necessary for the remittance to be carried through (Orozco 2006b:2). Thus, if compared to Latin American countries with local currencies, since 2001 transfer fees have declined much less for countries such as Salvador and Ecuador where the second component described by De Luna is not prevalent and the dollar is the main currency transferred (Orozco 2006b:2).

5.4 Transfer Channels and Actors

As shown in appendix 1 there are four different channels through which money is remitted from Canada to Haiti: private transfers, transfers via banks, credit unions and agencies. On the private remittance side money are sent either via financial intermediaries through the *formal system* or via relatives, regular postal service or personal delivery through the *informal system*. Starting with the formal system there are three different financial intermediaries. *Banks* offer wire transfers but play a minor role in the Canada-Haiti remittance corridor and are often turned down because of limited availability in the recipient country (Simmons 2005:10). *Credit unions* offer similar kinds of services as banks but are less frequently used, mainly because of the fact that their services are not known to the customers (Ibid. 2005:10). *Agencies* are both regular money transfer companies such as Western union but also companies that have specialized in remittance services to Haiti. Because of the specialization the latter have a more throughout knowledge of the Haitian market and are thus able to offer more customized services (Faustin: Feburary 20th 2007.). Via SOCA transfers for example customers are able to get food items delivered directly to the family in Haiti (Meus: March 21th 2007.) All three types of intermediaries charge a transaction fee from the customer. Figure 3 show the distribution between the different channels in more detail:

Figure 3. Transfer Channel Usage (Percent of Haitians who have ever transferred money by)



(**Source:** Simmons et al. 2005)

Especially two things should be noticed in the figure: 1) More than 80 percent of the respondents indicate that they have at some time used a money transfer agency. 2) More than 40 percent of the respondents have at some time let their money be transferred by hand. The latter is of particular importance since if the money is transferred by hand or if any of the other sending practices in the informal system are used, the transfer will not pass the formal banking system and it will never be registered thus making the work of monitoring remittance flows significantly more difficult.

The extended use of informal transfer channels is not only a problem for the Canadian remittance channel but a difficulty in remittance corridors in general. Due to the use of informal channels, the estimated amount of remittances is likely to be an underestimation of the actual record. Returning to appendix 1 on the collective remittance side Hometown Associations play an important role in canalizing donations from the migrant community. The donations are used to finance local development projects in the home community. In brief, Hometown Associations are organizations formed by immigrants who seek to support their places of origin and retain a sense of community, as they adjust to life abroad. They fulfil several functions ranging from social exchange, to political influence, to the pursuit of low-scale development goals in their home community. The majority of the association's activities involve support to public and economic infrastructure activities (Orozco 2003:3).

Considering transfer channel usage only a small part of the collective donations by HTA-members are transferred informally, as the majority goes through the formal channels. Studies on Latin American HTAs in the US suggest that 90 percent of the association's remittances are sent by electronic transfer or money orders (Gammage and Paul 2004:11). There are no studies specifically examining transfer preferences in Haitian Hometown Associations. Considering the general remittance practice similarities of Latin American HTAs in the US and Canada, we are however likely to believe that collective remittances in the Canada-Haiti corridor to a large extent involve the use of formal channels.

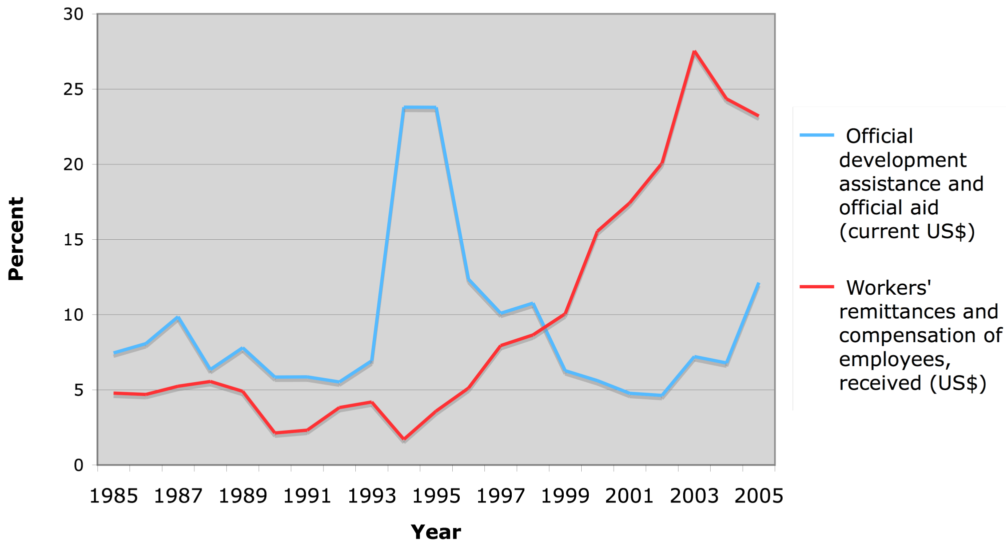
5.5 The Haitian Economy

As about one forth of all Haitians actually live outside the borders of the country it is not hard to realize that remittances are considerably important to the Haitian economy. In fact, the country is commonly identified as one of the world's most remittance-dependent countries.

Both the IMF and the IADB have estimated the remittance flow to Haiti but due to different estimating methods they ended up with very diverse results. Due to the size of the Haitian economy, this can have significant effects when remittances are presented as a share of GDP. After consulting the Haitian Central Bank the IADB estimated the flow to 1.026 billion USD for 2004, whereas the IMF, using a method based on Haiti's balance of payment, reached a considerably higher value of 2.086 billion USD for the same year (IADB 2007) (World Bank 2006:17). According to the IADB figures remittances accounts for 24 percent of Haiti's GDP but with the figures from IMF remittances represents 52.7 percent of GDP. This would make Haiti the most remittance dependent country in the world (World Bank 2006:17).

Even if the exact figures of the flow are hard to estimate[14] it is clear that remittances are of growing importance to the Haitian economy. Remittances to Haiti consistently exceed total Foreign Direct Investment and represent a flow about three times higher than the Official Development Assistance Haiti receives annually. Figure 4 show the inflow of remittances and Official Development Assistance to Haiti from 1985 to 2005, and reveal an interesting trend[15].

Figure 4. Worker remittances and Official Development Assistance as share of GDP



(Source: World Bank 2007)

As the figure show remittances have represented an ever-increasing percentage of Haiti's Gross Domestic Product during the last ten to fifteen years. From constituting 1.7 percent of GDP in 1994, remittances represented 15.6 percent of GDP in year 2000 and as much as 27.5 percent of GDP in 2003 (World Bank 2007). As can also be interpreted from the figure, the international flow of ODA to Haiti has varied significantly over the years, often depending on the political situation in the country. Consequently, when Haiti periodically has experienced economic

---

[14] In our research we have found the differing estimations very confusing. Even if the differences partly are due to diverse methods of measurement we have found the statistics at times very incoherent. When confronting the World Bank with the problem, they identified mistakes in their database and provided us with the revised figures. Thus the lack of reliable statistics is not only a problem in the case of Haiti, but also a problem in most research on remittances.

[15] To avoid the risk of over interpretation, figure 4 present the more moderate IADB estimations on remittances, found in the World Bank database.

standstills, remittances have proved to be an important and steady source of income, consistently exceeding total annual Foreign Direct Investment to the country and representing a flow about three times higher than the Official Development Assistance Haiti receives annually.

6. How to Increase the Development Impact of Remittances in the Canada-Haiti Corridor?

In the preceding chapter the trend and the challenges of the Canada-Haiti remittance channel were described. Also stated was the increasing importance of remittances for the Haitian economy and in earlier chapters the potential of remittances to spur economic development has been addressed. This leaves us with the task to assess how the development impact of this capital flow can be strengthened. In this chapter we are focusing on two aspects of this undertaking. First of all, we evaluate the development-enhancing effect collective remittances can have on remittances by looking into the work of organizations within the Haitian Diaspora. Secondly, we address how increasing and redirecting the remittance flow to formal transfer channels can spur the development impact of remittances and compensate for the anomalies of the corridor found in the preceding chapter.

6.1 The Haitian Diaspora and HTAs in Canada

The Haitian Diaspora is constituted by more than two millions Haitians living abroad; the majority residing in the United States. These migrants have maintained ties to their families in Haiti, and as a result the Haitian economy has become increasingly reliant on the money they send to their families back home. Canada has the third largest Haitian Diaspora population: In 2001, 54 000 Haitian-born immigrants lived in Canada, around 90 percent of them are living in the province of Quebec (Simmons et al. 2005:4).

The Haitian Diaspora community includes a large variety of organizations, some groups focus mainly on social or religious activities while others are involved in charity. A total of 76 Haitian organizations are registered in Quebec and about half of them are involved in development projects in Haiti (Image interculturel 2006:41). These groups are related to collective remittances by promoting group donations to finance projects often related to education or employment. Even if these groups differ from traditional HTAs, in the sense that they do not necessary limit themselves to projects in communities where the members of the organization originates from and that their co-operation with their home government is limited, their work are at large is still similar to other HTAs. Due to similarities in their functions and working methods in this thesis we refer to these groups as HTAs.

6.2 Hometown Associations as Vehicles for Development

Hometown Associations are more and more being considered as potential vehicles through which to encourage more productive remittance investment and expenditure (Gammage et al. 2004:4). The research on HTAs in Canada has however until recently been limited. A study by Simmons suggests that around eight percent of the Haitian migrants have contributed to school and community improvement projects initiated by Haitian migration organization (Simmons 2005:14). The international figures are somewhat higher; data collected in the United States suggest that on average, about 10 percent of the Haitian remittance senders in the United States belong to an HTA, which is somewhat higher than the Latin American average of 9 percent (Orozco 2006c: 13).

In several countries initiatives have been launched to increase the development aid funds to match community collective remittances. The logic behind these efforts is to promote development activities that benefit entire communities, not just individual remittance receivers (Simmons 2005: 14). The literature on HTAs suggests several means through which these groups can spur local development. First of all they can have a direct impact on the community by providing goods that benefit the collective needs. Secondly, HTAs have the potential to aggregate the volume of the donations to first of all the rural parts. Thirdly, they can influence the localities vis-à-vis local government resources allocated for public works. Further, they tend to realise the allocation of goods normally unavailable and lastly, they can have impact on civic participation (Orozco 2003:17).

Even though several studies underline the potential of HTAs to spur development, one must not overlook studies implying the limitations of these groups. Generally, HTAs are restrained by their organisational capacities. HTAs are to a large extent voluntary organisation and often experience a lack of resources and competence. The members have not been trained in participatory development techniques; they work on a purely voluntary basis, and communicate informally through friends and relatives with their hometowns. There are few examples of associations engaged in a systematic appraisal of community needs. The projects are typically chosen and prioritised by the members in the host country. The HTAs also often lack an expanded time span, which is important for the success of development projects (Orozco 2003:16, Orozco 2007:6, Gammage and Alison 2004:15).

Thus, studies imply the development impact of these associations to grow over time, as they get more organisationally mature. In addition, HTAs are more effective when they conduct their work in partnership with other organizations or governments. These partnership programs help the HTAs to define their goals and better implement their strategies (Orozco 2003:10).

6.3 Development Projects Initiated by the Haitian Diaspora

6.3.1 Education-Health-Economy-Environment

The organisation Education-Health-Economy-Environment Monde, ESEE, was initiated by Haitian immigrants with the aim to promote development projects in Haiti but the mission of the organisation has since then expanded to include projects in other developing countries. One of the organisation projects is the so-called Diaspora project with the object to increase the development impact of remittances. Instead of mainly resulting into a supplementary income spent on consumption the project aims to strengthen remittances role as an investment for employment generating activities. Rather than remitting a monthly amount of 100 dollars members are encouraged to send one larger lump sum of 600 dollars (Azevedo, April 20th). The donation will finance a small-scale agricultural project as for example poultry farming. ESEE co-operates with a local partner VETRIMED, an organisation specialised in supporting small-scale livestock farming. ESEE transfers the donation to VETRIMED's bank account without the use of intermediary to avoid fees. The donor can either chose his/her own beneficiary or let the VETRIMED find a suitable beneficiary. The donor can follow the development of the project by the Internet where information about each farmer is updated. Thanks to the donation the beneficing farmer will soon become economically independent and the ESEE-member can thereby use her/his future donations to help another poor farmer. According to the founding president Gilberte Azevedo the project has large potential despite its small scale: "If 50 people participate in this project we can make a difference, maybe not on a global level but certainly contribute to the local development" (Azevedo, April 20th). The number of transfers to the project varies but in general it concerns about one transfer per week. The project started in 2000 and has functioned well, but is presently in a slower period. Azevedo explains that members are less willing to donate larger sums due the political instability in the country and the insecurity if the money will end up where they are intended.

6.3.2 Vision Citadell

Another organisation based in Montreal and involved in local development projects in Haiti is Visions Citadell. Besides arranging local social activities the organisation has initiated educational and agricultural projects in Haiti. In the fruit forestry project members and the general public are encouraged to adopt a tree for two dollar per month. The aim of the project is not only to spur profits from future fruit exports but also to generate employment. A donation of 25 trees will give an employment to a farmer and so far the program has employed 55 farmers. The organization has also launched a school project where donors can sponsor the school fees for a child for 30 dollars per month. However, due to expensive fees at the private schools and the long distances to these schools, the organization has recently launched their own school building project. With an estimated budget of 250 000 CAD the educational institution will include a primary and a secondary school and a professional school. So far the school project is being slowed down by a lack of financial founds as it fully depends on private contributions (Chavannes, May 17th).

To summarise, the activities of ESEE and Vision Citadell illustrates how funding of small-scale livestock farming by the Haitian Diaspora and collective remittances can have a direct impact on local development. Through educational projects the Haitian HTAs also show their ability not to only encourage school attendance through paying school fees but also to build school facilities.

6.4 Partnerships Initiated by the Canadian Development Agency

Not until recently has the potential of the HTAs as a contributing force to Haitian development gained recognition from Canadian authorities. In this section we evaluate the partnership initiatives from the Canadian International Development Agency (CIDA) and discuss the value of these forms of initiatives.

In its newly updated strategic approach for Haiti, CIDA announced the importance of facilitating the partnership with the Diaspora (CIDA 2007a). A founding step for this commitment was the initiation a couple of years ago of an umbrella organisation serving to connect and strengthen the Hometown Associations. The project resulted in ROCADH (Regroupment des Organismes Canado-Haitiens pour le Developpement), which is a network of 47 organizations where of 35 are Canadian-Haitian organizations actively pursuing development projects in Haiti. ROCADH support the groups to plan and to realise the projects by channelling fundings from CIDA. The network has come to serve as a model for CIDA in partnership with other Diaspora groups. According to the director of ROCADH, Eric Faustin his organisation distinguishes itself by its working methods: “We start from the bottom –up. The decision and localisation of a project is not our choice but the choice of our members in co-operation with their local partners.” (Faustin, Feburary 20th 2007). Faustin also insists on the fact that their personal understanding and personal bonds with Haiti makes them less inclined to make the mistakes official agencies often do.

The partnership between Haitian migration groups and Canadian development organizations has further been spurred by the Montreal consultative conference with the Haitian Diaspora community in December 2004 organised by CIDA and the Canadian Partnership Branch (CPB). The objective of the conference was to increase the engagement of the Haitian Diaspora community in the development of Haiti by promoting linkage projects proposed jointly by organizations from Haiti, organizations from the Diaspora and CIDAs existing partner organizations (CIDA 2005:2 CIDA 2004b: 1-22). According to Jean Bienvenue, project Officer at CPB, the aim of the partnership is not only to improve the development outcomes in developing countries but also to strengthen the capacities and abilities for the Haitian organizations to eventually qualify for CIDA funding (Bienvenu, June 6th 2007). So far nine projects have been selected for a total contribution of $2.5 million CAD. To participate in the program the Diaspora organizations are required to contribute with around a third of the cost of the project, in either capital or labour. The program has gained positive critic from the Diaspora as it has served to recognise them as legitimate actors within development and financially helped them to realise their project (Bienvenu, June 6th 2007).

The value of these partnership programs initiated by the Canadian authorities demonstrates numerous mutual advantages. By cooperating with the Canadian Government HTAs can overcome their organisational limitations and gain increased access to financiation. For CIDA a rewarding partnership with groups that often have better locally adapted working methods and valuable local knowledge constitute the benefit. The partnership programs are, even if more indirectly, also elated to remittances. As the capacities of the HTAs are improved, their abilities to co-ordinate collective remittances increases, which lead to increased collective gains of remittances and thus a shift of their usage from consumption to investment. We therefore insist on the importance of CIDA and other Canadian authorities to continue to support these partnership programs and also look into other means of supporting the role of the HTAs in the Haitian development.

6.5 Increasing and Redirecting the Flow

The main concern this far has been how to increase the development impact of the *already existing* flow of funds from Canada to Haiti. Another factor to take into consideration however is the size of the flow and its determinants. Studies shows[16] that the two main determinants of the flow are the stock of migrant workers and transaction costs, defined earlier in this thesis. In this thesis we are limiting us to look at transaction costs, since at least at this early stage in the research on remittances, there are good reasons to separate immigration from remittances. As argued by Lopez—Cordova and Olmedo: "one may want to devote particular attention to remittances, as policies aimed at facilitating international income transfers and at harnessing their development potential are likely to be more politically palatable than policies seeking to facilitate (or curtail) immigration flows (2006:3). Policies seeking to improve the market for remittances are thus less debatable since "in host countries, migration policy reform is controversial because immigration has a redistributive impact, usually affecting unskilled workers; because of fiscal considerations; because of the fear that an inflow of immigrants may tear the social fabric; and, in recent years because of fear of international terrorism" (Lopez-Cordova 2006:3).

This finding suggests that in order to augment the development impact of remittances, a less controversial way is to increase the flow by lowering transaction costs. Increasing the competition between intermediaries in the channel for remittances *and* removing dual exchange rates can do this. As described earlier, customers consider remittance fees in the Canada-Haiti remittance corridor too high and due to the currency conversion component in the channel an increased competition between intermediaries is likely to have large effects. On top of the flow-increase there is also another effect of reduced transaction costs. Studies indicate that lowered costs would not only increase the flow of remittances but also redirect the

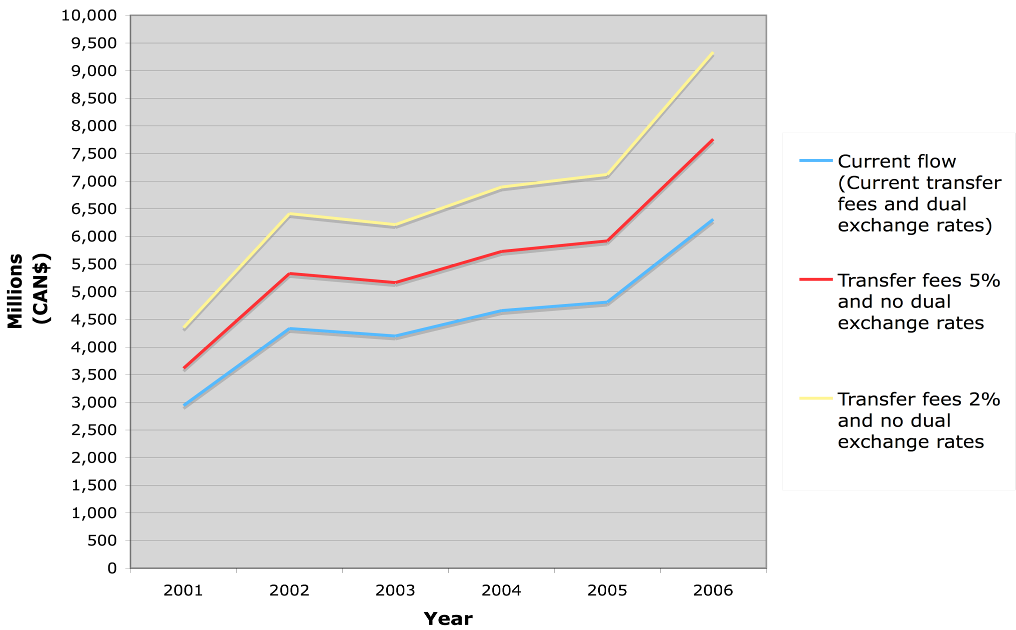
[16] see for example Freund and Spatafora (2005)

flow from informal to formal channels. Thus the effect of reduced transaction costs is twofolded. As stated earlier in this chapter, to redirect the flow from informal to formal channels is an important issue especially since it makes the work of monitoring the flow significantly more easy. In this section we look further into the issue of lowered transaction costs and estimate the effect of reduced costs on the Canada-Haiti remittance channel.

6.5.1 Reducing Transaction Costs

In a study from 2005, Freund and Spatafora estimate the effect of lowered transaction costs on the aggregated remittance flow in the world. For Latin America and the Caribbean the authors find that if transaction costs were reduced to five percent of the remitted amount and the dual exchange rate was removed, this would imply an increase in the remittance flow to the region by approximately 23 percent (Spatafora 2005:39). The authors estimated the corresponding figure for a reduction to two percent of the amount to 48 percent. Applying these figures on the remittance payments statistics for Canada provided in section 5.2, one can obtain an idea of what such a reduction on transfer fees would imply for the Canada-Haiti corridor. Figure 5 show the estimated effect of a reduction to five and two percent respectively.

Figure 5: Remittances from Canada: Estimated effect if transaction fees were lowered and dual exchange rates removed.

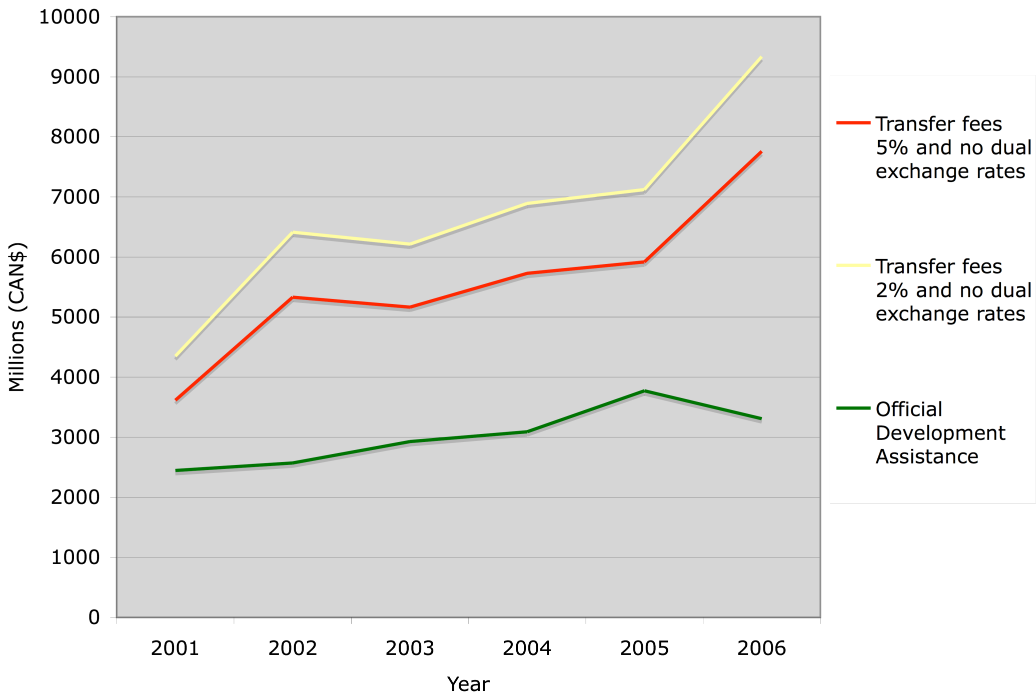


(**Source:** *Canada's Balance of International Payments, Statistics Canada, Catalogue*

67-001. Estimations made by the authors[17])

As the figure show a reduction to five percent suggests an increase of approximately 1.4 billion Canadian dollars for 2006. Equivalently, a reduction to two percent would mean an increase of approximately 3 billion Canadian dollars for the same year. To understand the magnitude of this effect these figures can be compared to statistics on Official Development Assistance from Canada for the same year. Figure 6 show the estimated impact of reduced transaction costs and Official Development Assistance for the years 2001-2006.

Figure 6: Remittances and total Official Development Assistance from Canada: Estimated effect if transaction fees were lowered and dual exchange rates removed.



(**Source:** *Canada's Balance of International Payments, Statistics Canada, Catalogue 67-001. Estimations made by the authors[18])*

From the figure it is clear that if transaction costs were reduced to two percent, the remittance flow would surpass Official Development Assistance with almost 3 billion CAD for most years 2001-2005 and for 2006 the flow would be roughly three times

[17] Method: The data on remittances from Canada (2001-2006) provided in section 5.2, is for each year multiplied by 1.23 (transaction costs reduced to 5 percent) and 1.48 (transaction costs reduced to 2 percent) respectively. For further explanation see text. The results are shown in the figure.
[18] Method: The same method is used as for figure 6.

the ODA contribution. If transaction costs were reduced to 5 percent of the remitted amount, the flow would exceed ODA with more than two billion CAD for most of the years 2001-2006.

Needless to say there are reasons to exercise caution with regards to these estimates and hence also when assessing the impact of this augmented flow on the Haitian economy. Nevertheless, there is no doubt that even a small reduction in transaction costs will have a large effect on the total remittance flow from Canada to the rest of the world. Given that approximately 14 per cent of all remittance receivers in Haiti have relatives in Canada (IADB 2007:12) there are reasons to believe that such an increase will have large effects also on the flow from Canada to Haiti. Due to the fact that transaction costs in the corridor are partly determined by an exchange rate markup (as discussed in section 5.4), increased competition in the Canadian marketplace for remittances is likely to have significant effects on the costs. Therefore, it is likely that an increased competition between intermediaries in the channel will imply reduced transaction costs and hence aids migrants wishing to send money home. The increased flow will have augmented development effects in the corridor.

6.5.2 From Informal to Formal Channels

It is believed that redirecting remittances from informal channels to the formal banking system would increase a more efficient and transparent use of the funds and also enhance spill over and multiplier effects (Orozco 2000:16)(Alarcon, 2000:24). The redirection of the flow from informal to formal channels hence has large winnings in both remittance sending and remittance receiving countries.

In the sending countries the informal part of the flow is mainly a problem of monitoring and recognition. As stated in section 5.5 the use of informal channels in the Canada-Haiti remittance corridor is large[19], making the work of monitoring the flow significantly more difficult. Due to the large informal flow, the remittance flow from Canada to Haiti is also most likely underestimated. As stated earlier in this thesis, this is an important conclusion since if the flow is underestimated it will not gain the same recognition among scholars, institutions and government officials in

[19] According to Piche (2005) 42.9 percent

sending countries as other types of flow. As a result, the development potential of this type of flow is also underestimated.

In the receiving countries increasing the use of formal financial institutions primarily has positive implications from a household perspective. First and foremost, it increases access to bank accounts and therefore credit to underprivileged populations that normally would not have either. In support of this claim, data shows that Mexican households receiving remittances are more likely to have a bank account than households that do not receive remittances (Orozco, 2004:14) This is a condition of critical importance since financial intermediation among remittance senders and recipients creates conditions for wealth generation through savings, investment or credit (Orozco 2004:15)(Giuliano 2005:23). Yet there exists little financial intermediation of remittances in rural areas, particularly in Haiti. According to the 2001 Haiti household census only 12 percent of remittance recipients in rural Haiti have bank accounts, yet, half of the money goes into rural Haiti. In contrast to this, 70 percent of recipients in urban Haiti had savings accounts and withdrew their money at financial institutions (Orozco 2006, 33). The use of banking account seems to be related to the reception of remittances as it is also unequally distributed with a concentration to the urban areas. As it concerns collective remittances, the use of formal channels is higher than family remittances. Roughly 90 percent of the collective remittances are sent by electronic transfer or money orders (Orozco, 2000:2). An outreach policy to the Diaspora is therefore suggested as an important measure to leverage the economic effect of remittances (Orozco 2006c: 19).

There are also other means. Experiences from the Canada-Jamaica remittance corridor have demonstrated successful attempts to increase the use of formal channels by distributing technology swipe cards. The project initiated by the Jamaica National Building Society (JNBS) targeted to the Jamaican Diaspora to facilitate remittances services .The project has succeed to obtain over 70 000 card holders and 50 percent of the remittance receivers have been brought into the formal banking system (Orozco 2007:15).

To summarize, an additional result of reduced transaction costs is a potential redirection from informal to formal remittance channels. In Canada this will have positive implications in terms of recognition and monitoring capabilities, whereas in Haiti a potential effect is better access to bank accounts, creating conditions for wealth generation through savings, investment or credit. Attempts to improve the services in the formal sector could thereby result in strengthening the development impact of remittances.

7. Concluding Remarks

In this thesis we have emphasized the importance of distinguishing between collective and family remittances. As we have shown, collective and family remittances do not differ only in terms of actors involved, but also in terms of transfer channel usage and most important in development impact. Despite the fact that family remittances still constitute the main part of remittances, we have argued that due to superior development impact more emphasis should be put on collective remittances.

In an examination of the literature on remittances we found remittances to have an impact on economic development, in this thesis defined as the impact on economic growth, poverty and human capital. Due to the fact that remittances are non-government initiated and not originally designed for development purposes we however concluded that there are several difficulties concerning the flow that needs to be addressed:

i. Remittances are arbitrary in nature and are thought to have an unequal impact on poverty reduction.
ii. Weak institutions in recipient countries hamper the efficient use of remittances.
iii. Remittances, as a non-government initiated flow from the private sector, does not provide the opportunity to put pressure on governments to initiate institutional and macroeconomic changes in recipient countries.

Thus, we found that despite its increasing importance as a large flow outside of state regulations remittances couldn’t substitute conventional tools to spur development. Remittances are hence to be considered a complement to Official Development Assistance and focus should be set on how the two can work in tandem with each other.

Having stated the potential as well as the limitations of remittances we examined the Canada-Haiti remittance corridor and evaluated means to strengthen the development impact in the corridor. For the Canada-Haiti remittance corridor our main findings were:

i. The Canada-Haiti remittance corridor is almost entirely unregulated and is only subject to anti-money laundering regulation.
ii. There are significant data and measurement problems in the corridor and no exact official data on remittance volumes. This may result in a lack of recognition.
iii. Despite increased competition and a declining trend in transfer fees, costs for sending remittances in the corridor are still too high.
iv. The use of informal transfer channels is high in the corridor.

In order to strengthen the development impact in the corridor we have suggested an increased focus on working with Hometown Associations and the Haitian Diaspora. Important is to take advantage of the local knowledge of HTAs and the associations' ability to raise collective donations. The work of the organizations ESEE and Vision Citadell serve as examples of how this can be done. To further spur collective remittances and to strengthen the HTAs role in the development of Haiti we therefore insist on the Canadian International Development Agency to continue its work on strengthening the partnership program with the Haitian Diaspora.

Further, we looked into the question of increasing and redirecting the flow of remittances. Due to the prevalent exchange rate component in the Canada-Haiti remittance corridor we found efforts to reduce transaction costs to have large effects on lowering fees and hence also *both* increasing and redirecting the flow of remittances in the corridor. A redirection of the flow is important since the use of informal channels in the corridor is high, having both data and measurement problems as well asmonitoring difficulties and underestimations of remittances as a result. We thus suggest improved data and measurement procedures as well as reduced transaction costs through increased competition between intermediaries as suitable measurements. When applying the results of international studies on the Canada-Haiti corridor we found that the effect on the flow from Canada can be as much as approximately three billion CAD annually. Since there is a large Haitian Diaspora in Canada we also expected the augmenting-effect on the flow from Canada to Haiti to be significant.

Despite the focus on one specific remittance corridor we are confident to believe that the conclusions drawn also are applicable to other corridors. The main characteristics of the Canadian corridor indeed resembles to other corridors. Another central finding is that although much can be done in remittance sender countries, it is important to acknowledge the importance of sound policies in the receiving countries. We have suggested institutions as one of these components. To our knowledge few studies have been conducted on the development impacts of remittances in Haiti. This needs to be more thoroughly examined and constitute an excellent topic for a forthcoming study. Also further studies connecting the work of Hometown Associations in sending countries and their activities with other development actors in receiving countries are desirable.

Bibliography

Works cited:

Adams, Richard - Page John, 2005. ”Do International Migration and Remittances Reduce Poverty in Developing Countries”. *World Development,* Vol. 33, No. 10, pp. 1645–1669 World Bank, Washington, DC, US.
Online:http://siteresources.worldbank.org/INTAFROFFCHIECO/Resources/Migration_and_Remittances.pdf.
2007-06-25

Adams, Richard H Jr, 1991. “The Economic Uses and Impact of International Remittances in Rural Egypt” *Economic Development and Cultural Change,* Vol. 39, No. 4 (Jul., 1991), pp. 695-722
Online:links.jstor.org/sici?sici=001379(199107)39%3A4%3C695%3ATEUAIO%3E2.0.CO%3B2-H
2007-06-25

Alarcón, Rafael, 2000. “The development of Hometown Associations in the United States and the use of social remittances in Mexico”. Unpublished article.
Online: http://www.thedialogue.org/publications/alarcon.pdf
2007-06-25

Alison, Paul -Gammage, Sarah. 2004. “Hometown Associations and Development: The Case of El Salvador” *Destination D.C. Working Paper* Number 3 December, 2004.
Online:http://www.rci.rutgers.edu/~migrate1/ResearchPapers/PaulGammageWorkingPaperNo.3.pdf
2007-06-25

Bouhga-Hagbe, Jacques 2006. *Altruism and Workers' Remittances: Evidence from Selected Countries in the Middle East and Central Asia*, IMF Working Paper.
Online : http://www.imf.org/external/pubs/ft/wp/2006/wp06130.pdf

Bliss, Christopher, 1989. “Trade and Development” in Chenery and Srinivasan (Eds), *Handbook of Development Economics,* Volume 2, Elsevier Science Publisher: Amsterdam, 1187-1240

Bourdet, Yves –Falck, Hans, 2006. "Emigrants' remittances and Dutch Disease in Cape Verde," *International Economic Journal*, Korean International Economic Association, vol. 20(3), pages 267-284, September.

Bowen, Janine L, 1998. *Foreign Aid and Economic growth: A Theoretical and Empirical Investigation.* Aldershot, U.K: Ashgate

Cardona, Lina -Medina, Carlos. 2006. "Migration as a Safety Net and Effects of Remittances on Household Consumption: The Case of Colombia,"
Borradores de Economia, Banco de la República.

Catrinescu, Natalia – Ledesma, Miguel – Piracha, Matloob -Quillin, Bryce. “Remittances, Institutions and Economic Growth” IZA Discussion Papers 2139, Institute for the Study of Labor (IZA).
Online: ftp://repec.iza.org/RePEc/Discussionpaper/dp2139.pdf
2007-06-25

Chami, Ralph – Fullenkamp, Connel - Jahjah, Samir. 2005. “Are Immigrant Remittance Flows a Source of Capital for Development?”, IMF Working Paper WP/03/189.
Online: http://www.imf.org/External/Pubs/FT/staffp/2005/01/pdf/chami.pdf.
2007-06-25

Chenery, Hollis B, Bruno, Michael. 1962. “Development Alternatives in an Open Economy: The Case of Israel”, *The Economic Journal*, Vol. 72, No. 285 (Mar., 1962), pp. 79-103
Online:http://links.jstor.org/sici?sici=0013-0133(196203)72%3A285%3C79%3ADAIAOE%3E2.0.CO%3B2-1
2007-06-25

CIDA 2002a “Statistical report on official development assistance fiscal year 1999-2001”, Canadian International Development Agency
Online:http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/JUD-4128122-G4W?OpenDocument
2007-06-25

CIDA, 2002b “Policy Statement on Strengthening Aid Effectiveness”, Canadian International Development Agency.
Online:http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/STE-32015515-SG4#531
2007-06-25

CIDA, 2004a “Remittances: A Preliminary Research” Research from Analysis and Research Division Canadian International Development Agency

CIDA, 2004b “Canadian Cooperation With Haiti: Reflecting on a Decade of “Difficult Partnership” Canadian International Development Agency
Online: www.oecd.org/dataoecd/41/45/34095943.pdf
2007-06-25

CIDA, 2005 “Facilitating Remittances from Canada: From Policy to Practices” May 19, 2005, Toronto

CIDA, 2006. “Statistical Report on Official Development Assistance Fiscal Year 2004-05”. Canadian International Development Agency: Gatineau
Online:http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUImages/stats/$file/Stat_rap_04-05.pdf
2007-06-25

Durand, Jorge - Parrado, Emilio – Massey, Douglas S. 1996. “Migradollars and Development: A Reconsideration of the Mexican Case”. *International Migration Review* 30 (2): 423-444.

De Luna-Martinez, José, 2005. "Workers' Remittances to Developing Countries: A Survey with Central Banks on Selected Public Policy Issues" *World Bank Policy Research Working Paper No. 3638*
Online:http://www.wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2005/06/08/000012009_20050608121914/Rendered/PDF/wps36380rev.pdf
2007-06-25

Drinkwater, Stephen – Levine, Paul –Lotti, Emanuela 2003. “The Labour Market Effects of Remittances”, *Flowenla Discussion Paper*, No. 6, Hamburg Institute of International Economics.

Faini, Riccardo. 2002. “Migration, Remittances and Growth”. Unpublished paper.
Online:http://www.wider.unu.edu/conference/conference-2002
3/conference%20papers/faini.pdf
2007-06-25

FOCAL, 2005. “Latin American and Caribbean Diaspora Group Meeting Report” Ottawa - Gatineau, October 26, 2005
Online: http://www.focal.ca/pdf/Diaspora_meeting_report.pdf
2007-06-25

Gammage, Sarah - Paul, Alison 2004 “Hometown Associations and Development: The Case of El Salvador”. Destination D.C. Working Paper Number 3 December, 2004
Online:www.rci.rutgers.edu/~migrate1/ResearchPapers/PaulGammageWorkingPaperNo.3.pdf
2007-06-25

Ghosh, Bimal. 2006. “Migrants’ Remittances and Development: Myths, Rethoric and Realities”. *International Organization for Migration.*
Online:http://www.humantrafficking.org/uploads/publications/iom06_migrants_remittances_n_dev_mra_realities.pdf
2007-06-25

GOA (United States Government Accountability Office) 2006 “International Remittances: Different Estimation Methodologies Produce Different Results”

Online:http://www.gao.gov/new.items/d06210.pdf
2006-06-25

Goldring, Luin, 2003. "Re-thinking Remittances: Social and Political Dimensions of Individual and Collective Remittances" CERLAC Working Paper Series
Online: http://www.yorku.ca/cerlac/documents/Goldring.pdf
2007-06-25

Giuliano, Paola - Ruiz-Arranz Marta, 2005 "Remittances, Financial Development, and Growth" IMF Working Paper No. 05/234
Online:http://www.eea-esem.com/.../prog/getpdf.asp?pid=99&pdf=/files/papers/EEA-ESEM/2006/99/**Ruiz-Arranz**_EEA06.pdf
2007-06-25

Glytsos, Nicholas P, 2002. "The Role of Migrant Remittances in Development: Evidence from Mediterranean Countries, *International Migration* Vol. 40 (1)

Haque Nadeem U, Aasim M. Husain, and Montiel Peter J, 1994. "An empirical dependent economy model for Pakistan". *World Development,* Vol.22, No.10, page 1585-97.

Hess, Peter – Ross, Clark G, 1997. *Economic Development, Theories, Evidence, and Policies: Theories, Evidence, and Policies.* HBJ College and School Div

ICC, 2005. " Portrait statistique de la population d'origine ethnique haïtienne, recensée au Québec en 2001" Immigration et communautés culturelles Québec
Online :http://www.quebecinterculturel.gouv.qc.ca/publications/fr/diversite-ethnoculturelle/com-haitienne.pdf
2007-06-25

Image interculturel, 2007. "Repetoire ethnoculturel de Montréal" Les Publications du Québec : Montréal

IMF, 2005a. "Committee on Balance of Payments Statistics" Definition of Personal Remittances in the Balance of Payments" Context Eighteenth Meeting of the Washington, D.C., June 27–July 1, 2005
Online:http://www.imf.org/external/pubs/ft/bop/2006/06-04.pdf
2007-06-25

Inter-American Dialogue, 2007 "Making the Most of Family Remittances"
Second Report of the Inter-American Dialogue Task Force on Remittances
Online: http://www.thedialogue.org/publications/2007/spring/family_remittances.pdf
2007-06-25

Kapur, Devesh. 2004. "Remittances: The New Development Mantra?" *G-24 Discussion Paper Series* No. 29, April 2004, 1-19.

Kugler, Maurice 2005. ”Migrant Remittances, Human Capital Formation and Job Creation Externalities in Colombia”. *Migrant Remittances in Latin America*, Inter-American Development Bank, forthcoming.
Online: http://www.banrep.gov.co/docum/ftp/borra370.pdf
2007-06-25

Lopez-Cordova, Ernesto, 2004 "Globalization, Migration and Development: The Role of Mexican Migrant Remittances" INTAL/ITD Working Paper No. 20 (October 1, 2004).

Lopez-Cordova, Ernesto –Olmedo, Alexandra 2006. ”International Remittances and Development: Existing Evidence, Policies and Recommendations”. Inter American Development Bank, Occasional Paper 41, August 2006.

Lynn, Stuart R. 2003. *Economic Development: Theory and Practice for a Divided World*. Pearson Education, US: New Jersey

Maimbo, Kabul – Munzele, Samuel 2005. “Migrant Labor Remittances In the South Asia Region.” Finance and Private Sector Development Unit. South Asia Region. The World Bank. Report No 31577.

MDG, 2006. “The Millenium Development Report 2006”
Online:http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2006/MDGReport2006.pdf
2007-06-25

MICC, 2005. “Portrait statistique de la population d’origine ethnique haïtienne, recensée au Québec en 2001” Ministré d’Immigration et communautés culturelles Gouvernement du Québec
Online :www.quebecinterculturel.gouv.qc.ca/publications/fr/diversite-ethnoculturelle/com-haitienne.pdf
2007-06-25

Nkusu, Mwanza 2004. “Aid and the Dutch Disease in Low-Income Countries: Informed Diagnoses for Prudent Prognoses” International Monterarian Found Working paper.
http://www.internationalmonetaryfund.com/external/pubs/ft/wp/2004/wp0449.pdf
2007-06-30

OECD 2005a “Remittances as development finance”
Online: http://www.oecd.org/dataoecd/62/17/34306846.pdf
2007-06-25

OECD, 2005b. “Final Oda Data for 2005”
Online: http://www.oecd.org/dataoecd/52/18/37790990.pdf
2007-06-25

Orozco, Manuel 2000. Remittances and Channels: New Players and Practices. In de la Garza and Lowell (Eds.), Sending Money Home (pp. 125-156). New York: Rowman & Littlefield Publishers, Inc.
Online:www.thedialogue.org/publications/country_studies/**remittances**/Orozco%20channelplace.pdf -
2007-06-25

Orozco Manuel 2003. "Hometown Associations and their Present and Future Partnerships: New Development Opportunities?" Inter-American Dialogue Report commissioned by the U.S. Agency for International Development Washington, DC
Online:http://www.thedialogue.org/publications/country_studies/remittances/HTA_final.pdf
2007-06-25

Orozco, Manuel – Welle, Katherine. 2004a. "Hometown Associations and Development: A Look at Ownership, Sustainability, Correspondence, and Replicability." *Inter-American Dialogue.* Unpublished paper.
Online: http://www.thedialogue.org/publications/2005/fall/new_patterns.pdf
2007-06-25

Orozco, Manuel 2004b. "Remittances to Latin America and the Caribbean: Issues and Perspectives on Development" Report Commissioned by the Office for the Summit Process Organization of American States. Washington, DC.

Orozco, Manuel 2006a. "Conceptual Considerations, Empirical Challenges and Solutions in Measuring Remittances", Report presented in the Launching Seminar of the Improving Central Bank Reporting and Procedures on Remittances Program, Inter-American Dialogue.
Online: http://www.cemla-remesas.org/PDF/report-conceptualconsiderations.pdf
2007-06-25

Orozco Manuel 2006b. "Understanding the remittance economy in Haiti"
Inter-American Dialogue. Paper commissioned by the World Bank
Online: http://www.thedialogue.org/publications/2006/spring/remittances_haiti.pdf
2007-06-25

Orozco, Manuel 2006c. "Diasporas, philanthropy and hometown associations: the Central American experience" Unpublished article.
Online: http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=812580
2007-06-25

Orozco, Manuel -Rouse, Rebecca 2007. "Migrant Hometown Associations and Opportunities for Development: A Global Perspective". Inter-American Dialogue February 1, 2007
Online: http://www.migrationinformation.org/Feature/display.cfm?ID=579
2007-06-25

Orozco, Manuel 2007. "The Role of Remittances in
Leveraging Sustainable Development in Latin America and the Caribbean". Inter-American Dialogue. Testimony presented before the Subcommittee on Domestic and International Monetary Policy March 6, 2007.

Ratha, Dilip. 2003. "Workers' remittances: an important and stable source of external development finance." Worldbank Publication
Online:http://siteresources.worldbank.org/INTRGDF/Resources/GDF2003-Chapter7.pdf
2007-06-25

Ratha, Dilip and Jan Riedberg 2005 "On reducing remittance costs**"** World Bank Washington DC
Online:http://siteresources.worldbank.org/INTPROSPECTS/Resources/Onreducingremittancecosts-revisedMay12.pdf
2007-06-25

Rempell Benjamin 2005. "Leveraging Migrant Remittances to Mexico: The Role for Sub-National Government" *The Maxwell Journal of Development and Social Transformation* Volume 2, November 2005
Online:http://www.maxwell.syr.edu/moynihan/programs/dev/journal/vol2/rempell8.pdf 2007-06-25

Robinson, Rudi, 2005. "Beyond the State –Bounded Immigrant Incorporation Regime"*,* Paper prepared for the Walter and Duncan Gordon Foundation, Ottawa: The North-South Insitutite.

Stark, Oded J - Taylor, Edward – Yitzhaki, Shlomo. 1988. "Migration, remittances and inequality –A sensitivity analysis using the extended Gini index" *Journal of Development Economics* Volume 28, Issue 3 , May 1988, Pages 309-322

Simmons Alan - Plaza, Dwaine – Piché, Victor 2005 "The Remittance Sending Practices of Haitians and Jamaicans in Canada – A report to CIDA" Expert Group Meeting On International Migration and Development in Latin America and the Carribean
Online: http://www.un.org/esa population/meetings/IttMigLAC/P01_ASimmons.pdf /
2007-06-25

Spatafora, Nikola. 2005. "Two Current Issues Facing Developing Countries". *World Economic Outlook: Globalization and External Imbalances*. Washington D.C.; International Monetary Fund.
Online: http://21coe.ier.hit-u.ac.jp/research/discussion/2005/pdf/D05-154.pdf
2007-06-25

Taylor, Edward J, Wyatt T.J. 1996. 'The Shadow Value of Migrant Remittances, Income and Inequality in a Household-farm Economy', *Journal of Development Studies*32(6): 899–912.

Taylor, Edward J, 2000. "Migration: New Dimensions and Characteristics , Causes, Consequences and Implications for Rural Poverty. FAO-ESA working paper.
Online: http://www.fao.org/docrep/003/X9808E/x9808e07.htm#ee
2007-06-25

Varian, Hal, 1999. Intermediate Microeconomics: A Modern Approach, Fifth Edition, New York: W.W. Norton.

Wilcox, Brian, 2006. "EFA Fast-Trace: Analysis of Official Development Assistance" Report Published for The Development Gateway Foundation.
Online:http://topics.developmentgateway.org/aideffectiveness/rc/ItemDetail.do~1066883?itemId=1066883
2007-06-25

Wise, Delgado – Ramírez, Rodríguez. 2001. "The Emergence of Collective Migrants and Their Role In Mexico´s Local and Regional Development"
Canadian Journal of Development Studies, Volume XXII, No.3, 2001. pp. 747-764.

World Bank, 1998. "Assessing Aid- What works, What doesn't and Why" A world Bank Policy Research Report. Oxford press.
Online:http://www.worldbank.org/research/aid/pdfs/front.pdf
2007-06-25

World Bank, 2006. "The development impact of workers remittances
in Latin America (In Two Volumes) Volume II: Detailed Findings"
the World Bank

Websites reviewed:

CIDA 2007a "Haiti Strategic Approach Canadian Co-operation Program in Haiti"
Online: http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/NIC-223124433-NTE
2007-05-25

CIDA 2007b "Voluntary Sector Fund, Canadian International Development Agency.
Online:http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/JUD-112912183-NAU)
2007-06-25

IADB 2007. *Remittances to Haiti* Inter-American Development Bank Haiti Survey
Online:http://www.iadb.org/NEWS/articledetail.cfm?Language=En&parid=2&artType=PR&artid=3637
2007-03-05

IMF 2007 “Remittances Statistics”
Online http://www.imf.org/external/np/sta/bop/remitt.htm
2006-06-25

OECD 2007. ”OECD Factbook 2007 – Economic, Environmental and Social Statistics”
http://miranda.sourceoecd.org/vl=1767264/cl=18/nw=1/rpsv/factbook/10-02-05.htm
2007-09-05

Statistics Canada 2006. Current Transfers by Type, Table 25, Catalogue no. 67-001,
Online: www.statcan.ca/english/freepub/67-001-XIE/2006004/t039_en.htm
2007-06-14

The Treasury Board of Canada 2006. *Canada's Performance Report 2006 - Annex 3 - Indicators and Additional Information*
Online: http://www.tbs-sct.gc.ca/report/govrev/06/ann303_e.asp
2007-06-14

UNDP 2007. *Strategies and Policies for Poverty Reduction.*
Online: http://www.undp.org/poverty/propoor.htmk 200
2007-04-16

UNICEF 2007. *Basic education and gender equality*
Online: http://www.unicef.org/girlseducation/index.php
2007-05-25

World Bank 2006. Site Resource: *Haiti at a glance*
Online: http://siteresources.worldbank.org/INTHAITI/Resources/Haiti.AAG.pdf
2007-05-25

World Bank 2007. Data and Statistics
Online: http://www.worldbank.org
2007-08-21

Interviews

Azevedo, Gilberte. Foundating President of ESEE-Monde
Telephone Interview April 20th 2007.

Bienvenu, Jean, Project Officer The Canadian Partnership Branch (CPB)
Telephone Interview June 6th 2007

Caron, Denis. Chief, Current Account Section Balance of Payments Division, Statistics Canada
Telephone interview March 20th 2007.

Chavannes, Joseph Maurice, President Vision Citadell

Interview April 16th 2007

Faustin, Eric. General Director, Regroupement des Organismes Canado-Haïtiens pour le Développement (ROCAHD).
Interview February 20th 2007.

Fox, Brian. Regional Vice President, Western Union Canada,
Telephone interview April 12th 2007.

Meus, Isabelle, Director, Soca Transfer Inc
Interview March 21th 2007.

Appendix 1: Transaction Flow Map