FINAL PROJECT REPORT

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Four US-Mexico transnational immigrant remittance corridors on map of Mexican foreign born in US
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This Final Report serves as an account of activities to achieve Project objectives covering a period from October 2007 to October 2010 carried out by the UCLA NAID Center and their contracted collaborators. Funded by the David and Lucille Packard Foundation (PACKARD), the Project Start Date reflects the date of contract signing between the Packard and the University of California Los Angeles (UCLA), representing the NAID Center. The Project start date for the PACKARD grant is October 15, 2007.

This Report is organized in four sections: I. Brief Description of the Project; II. Project Component Outcomes (a review of achieved goals and objectives set out in the original proposal); III. Lessons Learned from the Project Approach and Results; and IV. Future Steps. These sections are followed by the Project Budget closeout.

I. BRIEF DESCRIPTION OF THE PROJECT

A. Project Objectives and Components

1. The general objective of the Project is to contribute to the deepening of Mexico’s financial systems by broadening their scope and access to rural areas through a systematic link between remittance transfers and financial intermediation.

2. The specific objective of this Project is to enable transnational financial corridors between the United States and Mexico. The NAID Center proposed to achieve these objectives via three tasks: (a) empowerment and training of transnational migrant networks and their respective associations with attention to women migrants and their families; (b) connect community financial institutions in the U.S. with those in Mexico; and (c) develop and help identify financial products (loans etc) for participating CFIs receiving remittances that can extend capital for productive businesses that provide employment in communities in Mexico.

3. Project components to achieve these objectives include: Transnational Financial Market Assessment and Rural Financial Services and Rural Productive Projects.

Transnational Financial Market Assessment activities include: (a) identification of four (4) transnational corridors by (i) detecting existing financial institutions, (ii) the marketplace of
remittance mechanisms and competitors, and (iii) presence of Mexican migrant networks; (b) establishment of corridor baselines or main financial and remittance profiles that validate their potential; (c) assessment of viable CFIs in Mexico and rural communities; and (d) analysis of the banking regulatory framework and legal implications of having community financial institutions (CFIs) receiving remittances and mobilizing savings.

**Rural Financial Services and Rural Productive Projects** activities include: (a) assessment/ help to set up remittance mechanisms that allow transfers among CFIs across selected corridors; (b) promotion of remittance transfer agreements between US-Mexican community financial institutions; (c) outreach/financial education to immigrants in the US about sending their money directly to CFIs and joining these institutions; (d) outreach/financial education by the CFIs of remittance recipient families; (e) design financial products to finance local rural productive projects; (f) production of a technical assistance methodology, implementation manual for CFI loan portfolio; (g) provide direct technical assistance for management of remittance flows to Mexican CFIs.

**B. Change in Original Project Focus and Unanticipated Events**

1. Expansion of Project Scope: during the course of the Project, its original scope and component objectives and activities detailed above were affected by two developments.

(a) The number of transnational remittance corridors was expanded from two to four corridors. Originally, NAID committed to identify and determine the financial and remittance transfer potential of two (2) US-Mexico corridors. Additional funds of $45,000 awarded by the PACKARD Foundation September 1, 2008 allowed NAID to expand the number of transnational corridors included in this Project to four (4) with the objective of providing greater comparison of cases and their outcomes across more states in the U.S. and Mexico. This development is further discussed below (See, 2. Unanticipated Events).

(b) The original Project objective and method of transnationally linking CFIs (credit unions and microbanks) to provide migrants and their families in the US and Mexico access to financial services, was affected by technological innovations including debit cards and mobile banking platforms. Of great importance, these technologies compliment the original objective by expanding the number and kinds of financial service providers able to be included in a financial services ecosystem and transaction based model. Once adequately built-out, this merchant and distributor network will provide unbanked and under banked migrants and their families even greater access to financial services and products with fewer transaction costs. It may also serve to extend the reach of CFIs by becoming conduits for their banking services and products. This development is described in greater detail in section III. Lessons Learned.
2. Unanticipated Events: Counterpart Funding Affects on Corridor Development

Originally, counterpart funders were to provide funds earmarked for (i) training, outreach and recruitment of Mexican immigrants and family members in migrant sending regions in Mexico; and (2) for training for US CFIs of the Project’s new financial products.

These funds ultimately were not forthcoming due resulting in an eventual decision to suspend further development of the Santa Cruz (CA) – Michoacan corridor. Initial work conducted in this corridor in both the Santa Cruz and Michoacan sites is however described below. A Northern California (Oakland)-Michoacan/Jalisco corridor has now been included in the NAID Packard funded continuation Project.

Regardless of this initial setback, NAID identified and hired consultants for the work in Mexico; with Mexican CFIs, remittance recipients, and networks of retail merchants and distributors.

C. Project Staff and Contractors

1. Staff

Principal Investigator Raul Hinojosa Ojeda (UCLA) and Project Coordinator Paule Cruz Takash (UCLA) managed the overall Project and oversaw the Santa Cruz-Michoacan and Los Angeles-Oaxaca corridors. The NAID Center Project team includes Dr. Felipe Lopez (UCLA), a native Zapotec speaker and expert on Oaxaca transnational migrants; as well as graduate assistants.

2. U.S. and Mexico Contractors

Fordham University economist Darryl McLeod and sociologist Norma Fuentes were contracted for the New York/Puebla/Guerrero corridor. Their team of Center for International Policy Studies (CIPS) graduate students was also instrumental in Project survey data collection and management.

Anthropologist David Griffith (East Carolina U) was contracted for the Durham, NC-Puebla corridor. Griffith’s research team included Melina Genis, a Pahuatlán migrant and resident of Durham, and a local graduate student.

NAID contracted the Instituto Welte para Estudios Oaxaqueños (Welte Institute for Oaxacan Studies) in Oaxaca, Mexico through which Mexican economist Rafael Reyes (Instituto Technologica Oaxaqueño) and his graduate students were subcontracted for field and census research on the municipalities of Álvaro Obregón, Michoacán and Huamuxtitlán, Guerrero.¹

Mexican economists Alfredo Quequecha (Universidad de Ibero, Puebla) and Rocio Lavalle (Puebla) provided comparative analysis of NAID Project household surveys using INEGI and CONAPO data bases for the states of Oaxaca, Michoacan, Guerrero and Puebla.

II. PROJECT COMPONENT OUTCOMES

A. Project components include, Transnational Financial Market Assessment and Rural Financial Services and Rural Productive Projects.

<table>
<thead>
<tr>
<th>1. Transnational Financial Market Assessment Outcomes</th>
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<tbody>
<tr>
<td>(a) identification of four (4) transnational corridors by detecting (i) existing financial institutions, (ii) the marketplace of remittance mechanisms and competitors, and (iii) presence of Mexican migrant networks;</td>
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<td>(b) establishment of corridor baselines or main financial and remittance profiles that validate their potential;</td>
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1(a) Identification of Four Transnational Remittance Corridors

Four (4) corridors meeting the specified criteria were identified and include: New York City (Bronx)-Northern Guerrero (Huamuxtitlán) & Southern Puebla; North Carolina (Durham) – Northern Puebla (Pahuatlán/San Pablito); Los Angeles-Oaxaca (Valle de Tlacolula & San Augustín Loxicha); and Santa Cruz, CA- Michoacán (Álvaro Obregón).

These corridors were selected based on primary and secondary sources that identified (i) existing US community based financial institutions (CFIs); (ii) the marketplace of remittance mechanisms and competitors; and (iii) dense transnational Mexican migrant networks. Their selection were further validated and documented by use of a data base tool for transnational micro-regional data mapping developed by the NAID Center described in greater detail below (See, 1(b) Establishment of Corridor Baselines or Main Financial/Remittance Profiles).

(i) Existing (US) community based financial institutions (CFIs)
NAID identified US CFIs (credit unions) interested in expanding their membership to Latino immigrants and seeking for this population, innovative and affordable financial products and services including low cost remittance transfers to Mexico. In a prior project, NAID had worked with large utility based California credit unions that under new charters were outreaching to Latinos and to Latino immigrants.

In this Project, NAID specifically targeted smaller Community Development Credit Unions (CDCU) with track records of product and service innovations for and outreach to low income and immigrant potential members. The CDCU’s identified include:

- (Northern CA) Santa Cruz Community Credit Union (SCCCU-CA)
- (Northern CA) Self-Help Federal CU and its member credit union People’s Community Partnership Federal CU, Oakland,
- (Los Angeles) Episcopal Federal Credit Union
- (NYC) Union Settlement, Bethex Credit Union, Credit Where Credit is Due,
- (NC) Latino Credit Union, Durham

NAID also had discussions with the California Credit Union League (CCUL), LA County.

After multiple meetings with the above CDCUs, NAID secured agreements from the boards of two US credit unions, the Santa Cruz Community Credit Union (October 2008) and Episcopal Federal Credit Union (2010).

(ii) The marketplace of remittance mechanisms and competitors

The NAID Center provided an analysis of the current marketplace of remittance mechanisms, highlighting the increasing competitions between (1) established money transmitting companies (MTC) operating on a primarily cash-to-cash agent intermediated higher cost basis; and (2) emerging Debit Card Operators (DCOs) implementing debit account-to-account transactions via mobile phones.²

The credit unions selected for this project employed MTC remittance mechanisms in the past (for example, VIGO) but found them inadequate. They therefore expressed interest in partnering with DCOs and banks linked via ACH (automatic clearing house), enabling linkages between members’ accounts within CFIs in both the U.S. and Mexico. Under these emerging mechanisms, the CFI makes use of DCOs’ technology services provisions (prepaid debit cards linked via mobile-to-mobile phone transactions) to facilitate member access to low-cost financial transactions offered by

CFIs in the US and in Mexico, including the capacity to directly send remittances to family CFI accounts in Mexico.

(iii) The presence of significant Mexican migrant networks was determined by:

- Data base tool for transnational micro-regional data mapping developed by NAID Center;
- Mexican data bases from ENIG (Encuesta Nacional de Ingresos y Gastos), CONAPO (Consejo Nacional de Población), and INEGI (Instituto Nacional de Estadística y Geografía);
- *Censos Rapidos* (rapid census) conducted by Mexican colleagues in two (2) targeted Mexican sites (Guerrero and Michoacan) that confirmed extensive outmigration to the designated US locales;
- AMUCSS field reports on extensive out migration from Oaxaca, Michoacan, Guerrero and Puebla sites; and thus, its establishing microbank and productive projects in these locales;
- Secondary sources; US literature review documenting these transnational networks
- NAIDs long-standing macroeconomic and anthropological research on migrant families and associations in these sites (Los Angeles, Santa Cruz);
- first hand documentation of migrants at faith-based, recreational, residential and work sites (Durham, Bronx/NYC); and documented presence of active migrant associations and immigrant advocacy organizations in all Project sites.
NAID MAP 1

Simbología
Matrículas Provenientes de Guerrero
0.01% - 0.5%
0.51% - 1%
1.01% - 1.98%
No Existen Datos

El número en la parte superior de cada municipio representa el número absoluto de matrículas consulares expedidas en el consulado de los Estados Unidos mostrados en el título de este mapa.

La intensidad del color de cada municipio representa el número de matrículas consulares expedidas en el consulado de los Estados Unidos.

El vórtice o rueda indica el número total de matrículas expedidas en este consulado mexicano en los Estados Unidos.

El número más intenso significa que este municipio tiene el mayor porcentaje de matrículas en este estado con relación al número total de matrículas en este consulado.

NAID MAP 2

“GuerreroYork” and “PueblaYork” Concentrations

1 - 49
50 - 249
250 - 499
500 - 1700
US County Boundaries

0 14 Miles
NAID MAP 3

Mexican Foreign Born by Zip Code: Los Angeles Consulate Area 2000

Legend
- Interstate Highway
- LA County
- Percent Foreign
- Born Mexican
  - 0% - 5%
  - 5.01% - 10%
  - 10.01% - 20%
  - 20.01% - 40%
  - 40.01% - 62.7%

The zip codes colored in dark blue represent a higher percentage of foreign-born Mexican relative to the local population within that zip code. The percentage of foreign-born Mexican residents is calculated by the percentage of foreign-born Mexican area residents. The pie chart represents the percentage of matriculas consulares issued to immigrants from a given Mexican state, relative to the total number of matriculas issued by that office in 2005.

NAID MAP 4

Simbología del Mapa

Número de Matriculas
- No existen datos
- 1 - 4
- 5 - 10
- 11 - 25
- 26 - 2,971
- Mayor número de matriculas

- TransferCali
- Nuevos Sitios
- Torneo de Basquetbol

Natal Towns of Los Angeles Oaxacan Immigrants
1(b). Establishment of Corridor Baselines or Main Financial/Remittance Profiles

NAID created new transnational data base aggregation and analytic techniques to allow the combined use of data bases from different countries, creating new transnational social accounting matrices (SAMs), as well as the creation of new transnational forecasting applications. To initiate the transnational corridor identification analysis NAID developed a Web Based Corridor Search Engine as a GIS (geographic information systems) data base tool for micro-regional data mapping necessary for the comparative analysis of transnational corridors.

The NAID GIS analysis tool allows for the integration and cross-referencing of (a) data on Mexican Consulate Issued ID cards (Matrículas), (b) detailed geographic socio-economic INEGI and CONAPO Mexican data on migrant sending communities, (c) detailed geographic socio-economic US Census data on the Mexican Foreign Born down to the zip code and census track, and (d) detailed geographic data on a wide range of retail outlets, including financial services (CFIs, banks, and other non-banked services such as remittances and check cashing).
NAID used this aggregated data base of over 20,000 transnational corridors linking Mexican migrant sending municipios with US zip codes in which Mexican foreign born reside within Mexican Consulate areas in the U.S., to identify highly specific corridors for in-depth research based on:

- high network concentration of migration and remittance flows, which are corridors of more recent migrations;
- more recent and new migration sending states in Mexico which are also the poorer states in Mexico;
- diverse regional and socio-economic characteristics of sending and receiving communities;
- diverse migration experiences based on our historical knowledge and anthropological knowledge of particular Mexican migrant networks corridors;
- high density marketplace of financial institutions, remittance mechanisms and their competitors.
The four transnational immigrant remittance corridors selected are displayed below on a NAID generated map also depicting in graduated red and pink tones, Mexican foreign born residing in the U.S.

NAID MAP 6

Once the four sample corridors were selected, NAID conducted extensive fieldwork deploying a comprehensive household survey instrument applied to highly concentrated clusters of families in communities in the U.S. using network snowballing techniques. The U.S. household survey findings derived from three corridors were later matched with a large household survey database and other socio-economic data collected in Mexico from a highly representative sample of migrant sending communities (ENIG, CONAPO, and INEGI). In the case of California and Oaxaca, NAID also deployed the household survey instrument in a cluster of migrant sending villages on the Mexican side of the transnational corridor. NAID was thus able to aggregate a variety of databases to create transnational social accounting matrices (SAMs) for the California and Oaxaca corridor. With these “OaxaCalifornia” transnational SAMs, NAID was able to create and use transnational

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6 NAID Center Household Survey of Migrant Remittances and Financial Services.

7 By the time the Household Survey was deployed, further development of the Santa Cruz (CA) – Michoacan corridor had been suspended due to a lack of expected funds (see Unanticipated Events, p.3).
community CGE models as a tool for analyzing the current vicious cycle between migration and development between Mexico and the United States and forecasting the dynamics of possible new virtuous cycles.

<table>
<thead>
<tr>
<th>US – Mexico Corridors</th>
<th>US Corridor Applications</th>
<th>Mexico Corridor Applications</th>
</tr>
</thead>
</table>
| 1) CA: Santa Cruz – Alvaro Obregon, Michoacán | • NAID Corridor ID  
• US Census Data  
• Base Line Analysis | • NAID Corridor ID  
• México Census Data (ENIG, CONAPO, INEGI)  
• Base Line Analysis |
| 2) CA: Los Angeles – Valle de Tlacolula, Oaxaca | • NAID Corridor ID  
• US Census Data  
• Base Line Analysis  
• Household Survey | • NAID Corridor ID  
• Mexico Census Data (ENIG, CONAPO, INEGI)  
• Base Line Analysis  
• Household/Village Survey |
| 3) NYC: Bronx – Huamuxtitlán, Guerrero/Southern Puebla | • NAID Corridor ID  
• US Census Data  
• Base Line Analysis  
• Household Survey | • NAID Corridor ID  
• Mexico Census Data (ENIG, CONAPO, INEGI)  
• Base Line Analysis |
| 4) NC: Durham – Pahautlán, Puebla | • NAID Corridor ID  
• US Census Data  
• Base Line Analysis  
• Household Survey | • NAID Corridor ID  
• Mexico Census Data (ENIG, CONAPO, INEGI)  
• Base Line Analysis |

Below are the aggregate results of our data research and analysis, including household surveys and databases on the US and Mexican side, as well as SAM and CGE based analysis of selected transnational corridors. Our focused data research and analysis across corridors uncovers the dynamics of a “vicious cycle” in the relation between migration and development between Mexico and the United States (See Figure 2, p.27).

1(c). Assessment of Viable CFIs in Mexico and Rural Communities

NAID has prior research experience working with CFIs in Mexico, in rural and indigenous communities that export migrants to the United States. Criteria for selection of viable CFIs in the targeted Project sites include their fiscal soundness; out-reach practices to/inclusion of families of migrants, poor, low income and indigenous groups and small entrepreneurs with limited alternatives for savings and credit; their interest in participating in the Project and possibly adopting new

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financial products and technologies; and their institutional capacity to do so. On this basis, NAID identified, met with and facilitated MOUs and/or contracts between mobile banking and debit card operators (DCOs) and the following Mexican CFIs:

- Asociación Mexicana de Uniónes de Crédito del Sector Social (AMUCSS), a non-profit organization established in 1992 by a dozen of credit unions focused on rural finance. The mission of the organization is to create, fortify and expand strong financial institutions and services in rural and indigenous areas that have strong links within the communities. AMUCSS supports a variety of institutions including a network of rural credit unions (SMB), life insurance funds, and micro banks in different regions of Mexico. AMUCSS works with more than 65 partners from private, academic, government or grass roots organizations, credit unions and cooperatives.

- Sociedad de Micro Bancos (SMB) Rural, C.V., the umbrella group of microbanks affiliated with AMUCSS and located in rural indigenous regions of Mexico, four of which were identified in the Mexico corridor sites. In 2010, SMB board members considered terminating its remittance service due to high transaction costs. NAID met with the board in Miahuatlán, Oaxaca on several occasions. The board came to understand the potential of participating in an expanded financial ecosystem facilitated by mobile banking to extend the reach of its brick-and-mortar member microbanks; how mobile banking reduces CFIs’ transaction costs; and agreed in principal to partner with NAIDs recommended DCOs.

The four microbanks include:

- Fin Rural Social Civil (S.C.). in Pahuatlán, Puebla
- Credimich S.C. in Álvaro Obregón, Michoacán
- Eco de la Montaña S.C., Huamuxtitlán, Guerrero
- Ucepcio S.C., San Augustín Loxicha, Oaxaca

- Envios Confianza. Created in 2006, it is a remittance operator fully owned by the SMB with the mission of increasing direct access remittance companies and alternative mechanisms in the U.S. and to secure lowest costs available to member SMBs. Envios Confianza signed a contract with SF Mexico (now SF Systems) March 2010.

- Caja Central INTEGRA, S.A. (Sociedad Anonima), Sofom. It is a central fund of the SMB designed to operate larger scale financial transactions with the regulated national financial and banking system, as well as innovate and propagate the use of new financial products such as insurance and savings bonds to be made available to all the member organizations of the SMB and to the members of the individual microbanks.

- Grameen CARSO. Established in 2008 by a partnership between Grameen Bank founder Mohamed Yunus and Mexican telecommunications magnate Carlos Slim (CARSO
Foundation), it is headquartered in Oaxaca City, Oaxaca, Mexico and has branches in several other Oaxacan towns. Grameen CARSO provides micro credit loans to solidarity groups of poor and low income female entrepreneurs. As of March 25, 2010, they serviced 2000 clients and have plans to expand their operations. NAID met with Grameen CARSO managers, loan field officers, and observed loan and solidarity practices in several colonias outside Oaxaca City to determine if mobile banking technologies could make operations more efficient and loan collection safer. NAID later facilitated meetings between Grameen CARSO’s Chief Technology Officer for Latin America and DCO SF Mexico to further explore adoption of these branchless banking technologies.

- **PROGRESEMos.** Established in 2000, PROGRESEMos seeks to stimulate local economic growth in rural areas by providing microcredit to low income women. Its first office, PROGRESEMos OAXACA, modeled itself on the financial goals and practices of Mujeres Empresarias de la Costa de Oaxaca, located in the southern coastal city of Pochutla. Founded in the 1980s by women members of a coffee cooperative and co-managed by the Francisco Zavaleta family, this local credit union was absorbed by PROGRESEMos which expanded micro credit operations in that coastal region (Hualtulco/Puerto Angel to Puerto Escondido).

**1(d) Analysis of the Banking Regulatory Framework/Legal Implications**

NAID provided an initial review and analysis of the banking regulatory framework for both the US and Mexico with special reference to remittances between credit unions and microfinance institutions in its Packard Interim Report (In APPENDIX I, Banking Regulatory Framework And Legal Implications). This analysis was continued and included new regulations allowing Mexican CFIs to mobilize savings. NAID also sought to validate the potential of identifying and deploying new technological approaches with a high potential for converting networks of CFIs and branchless banking in local stores. NAIDs examination of viable CFIs and regulatory framework also expanded into an analysis of industrial organization of a number of industries; banking, microfinance, international remittances, telecommunications, mobile application technology, payments processing, point-of-sale (POS) and ATM networks.

As part of NAIDs praxis methodology, we partnered with technology development companies to create the mobile debit card platform to facilitate the activation and build out of the transnational mobile banking eco-system. This technology was successfully created, launched and verified with the approval of the top regulators in both countries, including the Banco de Mexico, U.S. Department of the Treasury the Federal Reserve of the U.S. NAID was in contact with the following US and Mexican regulatory institutions.
State entities include the:

- California Department of Financial Institutions

Federal entities include the:

- US Federal Reserve Atlanta (Payments Branch);
- US Department of the Treasury FINCEN;
- Office of the Controller and Currency;
- National Chartered Banks (with whom the DOC works);
- Office of Foreign Assets Control.

Mexican entities include:

- Comision Nacional Bancaria y de Valores;
- Banco de México.

As a result of meeting all regulatory compliances, NAID and its selected DOC (SF Global Group) were contacted by the Joint Project of the US Federal Reserve Atlanta and Banco de México to develop a pilot project for their Directo a México remittance transfer initiative. The Federal Reserve and Banco de México are the central banks for the United States and Mexico, respectively. Directo a México allows commercial banks and credit unions in the U.S. to transfer money to accounts in the Banco de México through the Federal Reserve's clearing house or FedACH. While available to persons with accounts at these institutions, it is not today an option for the unbanked.
2. Financial Services & Rural Productive Projects Outcomes

| (a) assessment/help to set up remittance mechanisms that allow transfers among CFIs across selected corridors; | Provided to selected US Mx CFIs, DOCs, merchants and distributors |
| (b) promotion of remittance transfer agreements between US-Mexican community financial institutions; | Agreements w/AMUCSS, Envios Confianza, SCCCCU, Episcopal; in progress US-MX Ecosystems of CFIs, DOCs, merchant & distributor networks |
| (c) outreach/financial education to migrants in US about sending their money directly to CFIs and joining these institutions; | LA: to COFEM member federations; NYC: 2 migrant service organizations; NC: survey participants |
| (d) outreach/financial education by the CFIs of remittance recipient families; | AMUCSS/Envios Conf to MX & NYC Poblanos, Guerrerenses; Grameen CARSO to solidarity groups; PROGRESEMOS solidarity group; others pending |
| (e) Design financial products to finance local rural productive projects; | Developed/implemented loan model; migrant development bond in progress |
| (f) Production of technical assistance methodology, manual for CFI loan portfolio | Dynamic multimedia web site for loan portfolio development in process |
| (g) provide direct technical assistance for management of remittance to Mx CFIs. | mobile phone/ card technologies for US MX financial ecosystem development |

2(a) Assessment/help to set up remittance mechanisms that allows transfers among CFIs across selected corridors

NAID developed strategies for close involvement and collaboration with community based financial institutions and technology companies to identify and develop the most appropriate technology approaches to enable linkages between members’ accounts within CFIs in both the U.S. and Mexico; to lower costs, increase access and innovate a variety of transnational community financial products.

NAID also facilitated face-to-face meetings between Mexican CFIs and NYC CDCUs to develop partnerships to allow remittance transfers between this selected corridor. During October 7-9, 2009, Isabel Cruz Hernandez (AMUCSS General Manager), Angel Vasquez (Director, Envios Confianza) and two Sociedad de Micro Bancos (SMB) board members met with Audia Williams (Union Settlement Federal CU CEO/Manager) and Alicia Portada (USFCU Financial Literacy/Marketing and Outreach). The two SMB members are also Presidents of their respective microbanks in Huamuxtitlán, Guerrero from which many migrants residing and working in East Harlem hail. Union Settlement FCU is located in East Harlem.

NAID facilitated as well meetings between the Mexican CFIs, Joy Cousminer (Bethex FCU President / CEO) and Fred Fernandez (Bethex VP of Technology & Remittances), and a representative of the DCO SF Global. NAID, Mexican CFIs, and SF Global, also met with Bethex check cashing partner Joseph Coleman, owner of Rite Check Cashing, Inc.
In 2009-10, NAID visited and provided Mexican CFIs Grameen CARSO (Oaxaca, Mx) and PROGRESEmos (Pochutla, Oaxaca) with information regarding alternative remittance mechanisms as well as other financial services and products needed by its members. Apart from providing value for their migrant and low income clients, these mechanisms are also attractive to the CFIs as they potentially offer the institutions, significant labor and operations cost savings; as well as greater safety for their field agents, some who have been waylaid and robbed of cash in the past.

Photo 1. Los Angeles, CA. Located in Echo, Park, City of Los Angeles, Episcopal Federal Credit Union has a 40% Latino membership.

Photo 2. Oaxaca City. (Back row) NAID staff with Grameen CARSO Director Shamsul Chowdhury and agents at their headquarters. (Front-Rt) CEO Miguel Kelly (SUBTECH) a SF Global technology partner also attended and accompanied the two groups to observe Grameen microcredit practices in the field.

Photo 3. Pochutla, Oaxaca. NAID meets with PROGRESEmos Director Zavaleta and staff regarding remittance transfer technologies and use of remittances for productive projects.
2(b) Promotion of remittance transfer agreements between US-Mexican CFIs

The Episcopal Federal Credit Union (Los Angeles) and Santa Cruz Community Credit Union (SCCCU) Boards of Directors; and Mexican CFI board members agreed to establish ACH (automatic clearing house) enabled linkages between their accounts and technology services (prepaid debit cards linked via mobile-to-mobile phone transactions) to facilitate member access to low-cost financial transactions, including the capacity to directly send remittances to Mexico.

However, further development of the agreement and work in the Northern California Santa Cruz - Michoacan corridor was eventually suspended, necessitated by a lack of expected funds from the IADB and UN IFAD.

An alternative Northern California (Oakland) – Michoacan corridor is nonetheless currently being developed. Remittance transfer agreements are being promoted between Oakland government and financial institutions, merchants and distributors and Mexican CFIs facilitated by the implementation of a City of Oakland Municipal ID Debit Card provided by the Project DOC partner SF Global. The Oakland City Council unanimously voted in November 2010 to contract SF Global for this purpose with an expected roll out of the Municipal ID Debit Card in the summer of 2011.

These events and adoption of innovative financial approaches and technologies in Oakland provide NAID an opportunity to greatly expand upon its original proposed method to promote remittance transfer agreements only by facilitating agreements between US and Mexican CFIs. Mobile-based “banking” facilitates building out financial services ecosystems in the US and Mexico that includes a greater number of financial actors better able to provide lower cost remittance transfer services along with a host of other financial products needed by migrants and their families. This important development is considered in greater detail in section III. “Lessons Learned…” (p. 33-34).

As part of its Packard Continuation Grant activities, NAID also plans to revisit the Oakland based Self-Help Federal Credit Union and its member credit union Peoples Credit Union to seek their participation in the build-out of the Oakland mobile based financial services and products ecosystem.

NAID met several times as well with SMB board members in Miahuatlán, Oaxaca; and with AMUCSS, and Envios Confianza, Inc., in Mexico City; and in March 2010 facilitated a remittance transfer agreement between these CFIs and the DOCs SF Mexico/SF Global Group.
2(c) Outreach/financial education to immigrants in the US about sending their money directly to CFIs and joining these institutions

Outreach to migrants and their families in the US was initiated and developed most fully in Los Angeles where NAID deepened its relationship with the Consejo de Federaciones Mexicanas en Norteamérica (COFEM). COFEM is a confederation of federations of immigrant hometown association (HTAs), educational and athletic organizations representing nine Mexican states.

NAID held meetings with COFEM board members and its federation representatives to inform them of the Project goals, branchless banking mechanisms for sending and depositing remittances between US credit unions and Mexican CFIs, as well as merchant and distributor opportunities to participate in the broader financial services ecosystem. Their members also expressed interest in the proposed migrant development bond and other innovative financial products available from the Mexican CFIs. Presentations were made to members of Oaxacan soccer club and business
organizations as well as groups of individuals some of the latter identified while administrating the Migrant Household Finances Survey.

In New York City, Fordham Project collaborators Darryl McLeod and Norma Fuentes outreached to Puebla and Guerrero migrants who are members of two immigrant advocacy organizations, Asociación Tepeyac de New York and Alianza Dominicana. Mexican members constitute approximately 30% of Alianza Dominicana.9

Fuentes organized focus groups of migrants, the majority women, to discuss the objectives of bridging the NYC CDCUs and Mexican CFIs; to assess who in their transnational households make

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the family’s financial decisions; to assess how they currently solve their financial needs and how many were banked; to gauge their interest in CFI membership; and their current use of cell phones; the latter to determine their degree of readiness to engage in mobile based banking.

Poblano migrants in Durham, North Carolina who participated in the Migrant Household Finances survey were also provided information about the Project goals and benefits of becoming members of US and Mexican CFIs including faster, more secure and lower cost remittance services. NAID and Durham Project collaborator David Griffith also identified for outreach purposes local Poblano small businesses in Durham that function as gathering places for fellow migrants.10

2(d) Outreach/financial education by the CFIs of remittance recipient families

Many of the Mexican CFIs members are remittance recipient families of migrants in the Project’s U.S. sites, some former migrants themselves. The CFI staff regularly conduct out-reach and financial education, much of it tailored to transnational migrant families; and have sent CFI representatives to US cities where migrant family members live. AMUCSS, Envios Confianza, and SMB representatives also traveled to NYC in October 2009 to outreach to the Puebla and Guerrero migrants in New York and New Jersey who send remittances to their microbank members and to recruit new members. AMUCSS also spoke with leadership at CASA Puebla and other Mexican immigrant advocacy/service organizations.

NAID accompanied AMUCSS representatives sent to Los Angeles in 2008 to meet with migrants to assess their interest and perceived need for establishing a new microbank; in low cost remittance services and new financial products such as micro life insurance. In 2010, AMUCSS sent representatives to Durham, North Carolina to outreach to migrant relatives of its Pahuatlán, Puebla microbank, Fin Rural Social Civil (S.C.).

In March 2010, Grameen CARSO facilitated outreach to several groups of its Oaxacan microcredit members. The majority are poor and low income women without bank accounts who overwhelming stated their need and desire for accounts. Some receive remittances from relatives in the US; others receive domestic remittances from migrants working within Mexico. The solidarity groups were informed of the Project goals and mechanisms to provide access to CFI membership, services and products. A good number also had cell phones or access to cell phones and quickly understood the time and cost-savings benefits of mobile banking especially as they now must travel distances to carry out financial transactions.

Members of the credit union PROGRESEMSOS in Pochutla, Oaxaca also expressed interest in the Project goals of providing transnational CFI membership and lower cost remittance services as many of their relatives are migrants in the US. They were interested in the Mexican CFI life

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insurance product as well. The majority of the members are women, some members of the original credit union Mujeres Empresarias de la Costa de Oaxaca absorbed later by PROGRESEMOS.

2(e) Design financial products to finance local rural productive projects

Many of the Project goals were originally initiated and developed to provide institutional support to CFIs seeking products and mechanisms to finance local rural productive projects in Mexico. Access to credit is a significant impediment to the incubation, development, growth and sustainability of productive projects. Even when seed money can be found to initiate productive projects, little is available to fund the expanding and ongoing credit needs of successful projects. Two of the product innovations developed by Project CFI partner AMUCSS and NAID are a “mezzo credit” (mezzo crédito) product, and a migrant savings development bond.

“Mezzo credit” provides greater funds for more mature productive projects than can a microloan. The possibility for microfinance institutions in Mexico to create new financial entities to originate medium size loans was made possible by banking regulatory legislation adopted in April 2001
(Ley de Ahorros y Crédito Popular). Together with the SMB and its member microbanks, AMUCSS created the Caja Central INTEGRAL, S.A., to serve this intermediate lending purpose.

NAID facilitated ITEGRAL developing a mezzo credit methodology and extending a loan to a community based enterprise that had successfully grown from home-based to factory based production of organic cactus (nopal) products. Las Mujeres Envasadoras de Nopales de Ayoquezco, Oaxaca (MENA) is a food cooperative founded and run by women to create viable local employment options as an alternative to out migration to the United States. Most of its members have husbands and grown children who live and work in Salinas, California and other places in the U.S.

Founded over a decade ago, MENA enjoyed support from international foundations, a Mexican technical assistance organization, and later, Ayoquezco migrants in the US seeking to support local development initiatives. Its success at multiple stages of its development brought with it a need for access to greater sums of funding and credit to ensure continued production and marketing. After a months long financial appraisal of MENA debits and assets, INTEGRAL extended the cooperative a $50,000 line of credit.

Photo 1. Ayoquezco, Oaxaca. Sign displaying products produced by Mujeres Envasadoras de Nopales de Ayoquezco (MENA) cooperative at entrance to its factory.

Photo 2. Ayoquezco. MENA began as home based production to production at a fully equipped processing plant built by the Coop.

Photo 3. Ayoquezco. Inside the plant, MENA board members meet with AMUCSS representative regarding criteria for Caja Central INTEGRAL mezzo credit needed to ensure continued production and marketing.
NAID also conceived of a savings and investment financial product that could attract migrants to deposit remittances into or otherwise open CFI accounts as well. The migrant development savings bond is intended for immigrants in the U.S. as well as SMB Microbank members. It will offer fixed term interest payments and be purchased through mobile debit account technology offered by DCOs in both the U.S. and Mexico. The proceeds from bond sales will be administered by the Caja Central INTEGRAL, S.A., to finance larger scale productive projects outside of the range and capacity of individual microbanks.

The bond contributes to the revenue generating capacity and loan portfolios of the Mexican CFIs benefiting not only the bond holder, his/her/family and the CFI, but also capital availability for and productive investment in local economies. If investment is substantive such that jobs are generated, alternatives to migration are provided.
2(f) Production of a technical assistance methodology and implementation manual for CFI loan portfolio

The methodology for and implementation of INTEGRAL’s loan portfolio for the MENA project was documented by AMUCSS, the experience of which serves as a guide for its ongoing lending criteria and practices. NAID determined that rather than produce a static manual that at this stage of loan portfolio development would quickly become outdated; to assist MFIs to develop in the next stages of the continuation grant, a dynamic multimedia web site to allow the information to be more readily updated and to make it more broadly available.

2(g) Provide direct financial technical assistance for management of remittance flows to Mexican CFIs

NAID facilitated direct financial technical assistance by DOCs for management of remittance flows to Mexican CFIs. Innovations include the development of mobile based phone and card technologies that allow new mechanisms for capturing and directing remittances to Mexican CFIs. These technologies and the build-out of micro finance ecosystems, allow CFIs to extend their reach beyond their brick and mortar locales. Savings from lower transaction costs for transfers also provides greater management efficiencies. These innovations are described in greater detail in this report in Section III. below and will be more fully developed and supported by the Packard Continuation Grant to the NAID.

III. LESSONS LEARNED FROM PROJECT

A. Three Mayor Lessons Learned

This section focuses on the major lessons learned from the “Immigrant Remittance Corridors” Project to date.

First, we review findings from Project Component 1. Transnational Corridor Financial Market Assessments. The results of various “praxis” applications employed here allowed for the identification and comparative analysis of selected corridors, revealing a “vicious cycle” of undocumented migration and cash remittances. This “vicious cycle” traps communities on both sides of a transnational corridor into a dynamic of exploitative low wages and high-cost cash non-banked financial services in the US, which is linked to and perpetuates a pattern of Mexican low savings, low productivity, external dependence and more out-migration from Mexican communities.

Second, we review the results of Project Component 2. Transnational Financial Services and Rural Productive Projects. NAIDs transnational corridor “praxis,” research and action approach demonstrates a strong potential for reversing this “vicious cycle” into a “virtuous cycle” based on the changing use of mobile technology to facilitate lower cost financial services, increased savings
and investments by immigrant networks and local community financial institutions (CFIs) on both sides of the border.

And lastly, the most fundamental lesson learned and considered here is how the original Project goal to provide transnational migrants and their families with access to low cost financial services and products is no longer exclusively dependent on linking CFIs on both sides of the border.

1. Uncovering the “Vicious Cycles”: Transnational Financial Market Assessment

Below are the aggregate results of our data research and analysis, including household surveys and databases on the US and Mexican side, as well as SAM and CGE based analysis of selected transnational corridors. NAIDs focused data research and analysis across corridors uncovers the dynamics of a “vicious cycle” in the relation between migration and development between Mexico and the United States (See Figure 2, p.27).

This “vicious cycle” is reproduced by dynamics whereby undocumented immigration results in highly concentrated localities in the US with very low access to financial services as well as legal and labor rights. These US locals are in turn linked to very particular localities in Mexico that also suffer limitations in financial service access resulting in cash remittances generating economic distortions that actually increase local inequalities and external dependence for income and employment opportunities.

NAIDs analysis of this vicious cycle suggests that the current pattern of undocumented migration and cash-based remittance flows in these transnational corridors will likely deepen the current negative cumulative cycle of U.S. demand for low-wage migration and increased U.S. income inequality, as well as extroverted dependence, low productivity and higher labor outflows in migrant sending regions of Latin America.

NAIDs comparative analysis across these various corridors reveals that the dynamics of a “vicious cycle” seem to be highly entrenched in all cases, despite the significant variations in some characteristics across corridors. While the Project corridors are all from the more recent new migration states and are thus from the poorer states in Mexico, our analysis does show significant variations across corridor characteristics are due primarily to the aging and maturation of the corridors over time. As immigrant corridors age and mature, NAIDs findings validate that transnational families are indeed also looking for ways to save and develop financial assets on both sides of the border, but that the limited financial choices open to them actually creates a deepening dynamic of cumulative negative impacts over time.

NAIDs research also shows an emerging relationship between increased striving for financial service use and growing use of different technologies (particularly mobile phones and internet). This will be significant to analyze potential options for escaping this transnational vicious cycle.
The five major elements of the vicious cycle of migration and development include:

(1) Being undocumented transnational workers in the U.S. results in both lower wages for immigrants as well as higher transnational household income, which produce both a higher U.S. demand for and a higher Mexican supply of, potential transnational migrants.

a. Undocumented transnational immigrant worker and family income is significantly lower than other US natives with similar human capital characteristic (15-20%), thus ironically generating a greater demand for undocumented migrant labor in the U.S.

b. At the same time, undocumented migration produces remittances and increases in Mexican-side family household income, which is thus much higher than non-migrant household income, (thus ironically generating higher incentives to migrate by both migrating and non-migrating households.)

(2) Low rates of access to U.S. formal banking services by undocumented immigrants results in a cash economy with high transaction costs for basic services (check cashing, money orders, pawnshops, payday lending), low levels of formal savings mechanisms which results in high costs of credit and low levels of community oriented investments in U.S. immigrant communities.

(3) Extremely high U.S. side transactions cost for cash-based financial services and remittance sending (between 5-10%), is linked to even higher Mexican side cash-based transaction costs associated with retrieving remittances, including travel time and costs to local banking cities and exposing individuals to crime, cash hording, and loss of funds (adding another 5-10%).

(4) Low access to Mexican formal banking services (in both the villages and cities), results in very low use of savings and investment vehicles. Thus cash remittances are “saved” in high cost

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consumption goods (mostly imported), cash hording (in homes and underground) or in other non-productive assets (such as land and slow construction housing), and thus producing inflation and assets not very efficiently and productively used. This dynamic is known to economists as the “Dutch Disease”, characterized by external resource inflow, local asset inflation, lower local investment, production and productivity, and increasing import dependency.12

(5) As the Dutch Disease leads to less local sustainability and further external dependency, as remittances feed growing inequality between remittance receiving and on-receiving households, and as transnational network further deepen their knowledge and options in the U.S., more and more households over time make the strategic calculation to migrate through their transnational corridors, especially in the context of increasing demand for migrants on the U.S. side of the corridor (thus linking the cycle back to (1).

**Similarities in the Vicious Cycle across Corridors**

The dynamics of this “vicious cycle” seem to be highly entrenched in all of the different transnational remittances corridors we studied, despite the significant variations in some characteristics across corridors. Table 2 and Figures 3 below present the results from NAID household surveys in the three major transitional corridors studied. While the corridors chosen are from the more recent new migration states and are thus from the poorer states in Mexico, our analysis does show that significant variations across corridor characteristics are due primarily to the aging and maturation of the corridors over time.

Yet all the corridors show a number of similar characteristics consistent with the dynamics of a “vicious cycle” despite their geographic dispersion of origin and destination. These characteristics include: 1) much lower income compared to native workers with similar human capital characteristics; 2) operating in an essentially cash based manner with much lower access to financial services compared to the general population; 3) consistently high senders of remittances relative to income for all immigrants; 4) high costs for non-bank financial services compared to the general population; and 5) high use of telecommunications.

Despite these generally similar characteristics, the corridors nevertheless display systematic variation over time as corridors age and mature. Shown comparatively, the household survey results show a highly systematic and unified movement of characteristics (Figure 2.4) such as: average age, date of arrival, marital status, language proficiency, relative income, and remittances. The data shows that the “oldest” corridor is that of OaxaCalifornia which has the highest average age, earliest average arrival date, most married, most English proficient, higher income and higher average remittances. The “youngest” corridor is Durham-Puebla which has the lowest average age, latest average arrival date, least married, least English proficient, lowest income and lowest average remittances. The “middle-aged” corridor, New York-Guerrero, occupies the middle ranges in all

12 Ibid. Raul Hinojosa Ojeda. Transnational Migration, Remittances and Development in North America:
these characteristics primarily due to the differences in aging and maturation of the corridors over time.

TABLE 2: Corridor Household Survey Results

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<tr>
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<th>CA-Oaxaca</th>
<th>New York-Guerrero</th>
<th>Durham-Puebla</th>
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<tbody>
<tr>
<td>Average Age</td>
<td>Oldest</td>
<td>Mid</td>
<td>Youngest</td>
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<tr>
<td>Arrival</td>
<td>Oldest</td>
<td>Mid</td>
<td>Recent</td>
</tr>
<tr>
<td>Civil Status</td>
<td>Married</td>
<td>Mid</td>
<td>Single</td>
</tr>
<tr>
<td>Language</td>
<td>Most English</td>
<td>Mid</td>
<td>Least</td>
</tr>
<tr>
<td>Income</td>
<td>Highest</td>
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<td>Lowest</td>
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<tr>
<td>Remittances</td>
<td>Highest</td>
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**Use of Financial Services/Technology**

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<tbody>
<tr>
<td>US Bank</td>
<td>Most</td>
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<td>Least</td>
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<tr>
<td>US Debt</td>
<td>Most</td>
<td>Mid</td>
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<tr>
<td>Mexico Debt</td>
<td>Least</td>
<td>Mid</td>
<td>Most</td>
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<tr>
<td>US Money Holdings</td>
<td>Most</td>
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<td>Least</td>
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<tr>
<td>Mexico Money Holdings</td>
<td>Least</td>
<td>Mid</td>
<td>Most</td>
</tr>
<tr>
<td>Mobile Phone Use</td>
<td>Most</td>
<td>Mid</td>
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Variations in the Vicious Cycle across Corridors

The survey data also evinces that these immigrant corridors undergo systematic variations as they mature with respect to their use of financial services and technology on both sides of the border. (See Table 2.4 and Figure 2.5) As immigrant corridors age and mature, the data evinces that transnational families are indeed also looking for ways to develop financial assets on both sides of the border, but that the limited financial choices available to them actually reveals a deepening dynamic of cumulate negative impacts over time.

- As immigrant corridors age and mature, families are looking for ways to save resources and develop financial assets in both countries
- Higher income leads to higher levels of savings on both sides of the border, as well as higher family and community income over time
- In the initial short term, remittances as a share of income are higher, with family savings and assets maintained in Mexico rather than the U.S.
- Over time, however, remittances as a share of income slow down and families begin to shift accumulated savings and assets into U.S.
- Over time, these trends could actually deepen the vicious cycle as Mexican communities and families become even more dependent on their U.S. family members and their financial futures. This could have accelerating negative effects on production and income in Mexican migrant sending communities.

NAIDs research also shows an emerging relationship between increased striving for financial service use and growing deepening of the use of different technologies use (particularly mobile phones and internet) on both sides of the border.

- Rapid adoption of mobile and internet technology use by households on both sides of the border, especially with access to remittances flows.
- Increased use of mobile phones and internet in both countries further enhances the amount of remittances sent from the U.S. to Mexico.
- Increased mobile phone use in Mexican households is particularly correlated with increases in remittances from U.S. households and more autonomy of decision making by Mexican households in financial services and asset accumulation.
2. Designing the “Virtuous Cycle”: Transnational Financial Services and Rural Productive Projects

The emerging dynamics of research, data, theory and practice is crucial in analyzing potential options for transforming the transnational vicious to virtuous cycles via the formation of new ecosystems of mobile technology use, new financial service products and branchless banking service providers. NAIDs corridor baseline research findings, which directed the creation of our appropriate technology approach, has begun to be used as a base from which to measure and evaluate the impact of the implementation of these technologies. The most important lessons learned from NAIDs research and action is the following:

- increased mobile technology use, can have a significantly measured impact on the use of low cost financial services products linked to CFIs savings and investment activity;

- increased technology and financial service use in our baseline corridor and statistical data analysis can allows us to generate CGE/SAM modeling of alternative scenarios for moving from vicious and virtuous cycles of the relationship between migration and development;

- alternative scenario CGE/SAM modeling show that enhancing and democratizing migrants access to improved transnational financial technology, intermediation and investment of remittance funds can significantly increase income multiplier effects in both the migrant sending and migrant receiving regions of a transnational corridor;

- vicious cycle village income multipliers can thus be compared to generating much larger virtuous cycle local income multiplier effects though the much larger impact of using mobile remittances to increase savings and investments;

- based on the derived dynamics of the OaxaCalifornia SAM/CGE model, we can predict and measure the impacts of similar moves from vicious to virtuous in the other corridors through the use of counterfactuals statistical experiments. Counterfactuals statistical experiments can also be used to test the causality and size of impacts in many other transnational corridors and associated regions;

- the methods used for data collection and analysis in this first part of the project thus have important implications for the support and implementation of support the second part of the grant.

The “OaxaCalifornia” example, in particular, allows for the exploration of dynamics of the move from a Vicious towards Virtuous cycle. Based on the OaxaCalifornia Sam/CGE modeling, NAID was able to evaluate alternative scenarios of remittance technology and financial services use.
The first scenario is based on a modeling of data from the current vicious cycle whereby cash remittances are spent primarily on consumption and hoarding, with very little formal savings and productive investment, resulting in relatively low income multiplier effects of remittances on village level economic activity.

The second scenario is based on a modeling of data from the use of new technology whereby mobile remittances can be sent direct to CFI savings products, reducing hoarding and immediate consumption while significantly increasing formal CFI savings and productive investment, resulting in much higher income multiplier effects of remittances on village level economic activity. Local generated savings can lead to local productive investments, which in turn increase local demand for employment (thus more wages) and local inputs (thus more local production, wages and profits).

The five major elements of a potential move to a Virtuous Cycle of migration and development and depicted in Figure 4 include:

1. Empowerment of undocumented transnational workers in the U.S. can result in both higher wages for immigrants as well as higher transnational household income that produce a lower U.S. demand for immigrant labor.
   a. Based on the historical record of the 1986 Immigration Reform and Control Act (IRCA), we model how incomes of transnational immigrant workers and families would increase significantly (15-20%), as would other US native incomes, thus ironically actually generating a lower demand for immigrant undocumented labor in the U.S.

   b. At the same time that immigrant empowerment raises their wages and lowers demand for immigrants in the U.S., it also increases the strain on a higher Mexican supply of potential transnational migrants.

   c. **Empowerment of immigrants** also leads to short term growth of remittance and increases in Mexican-side family household income, which is thus much higher than non-migration household income, (thus ironically still generating higher incentives to migrate by both migrating and non-migrating households.)
(2) Immigrant empowerment can also lead to potentially higher rates of access by immigrants to U.S. formal banking financial service, reducing reliance on cash economy with high transaction costs for basic services, and potentially increasing levels of formal savings mechanisms which can result in lower costs of credit and higher levels of community oriented investments in U.S. immigrant communities.

(3) With the adoption of new mobile/debit technologies instead of cash, U.S. side transactions cost for financial services and remittance sending can be significantly reduced (between 50-70%), is linked to even lower Mexican side mobile/debit-based transaction costs associated with retrieving remittances at local mobile enabled shops, thus resulting in less travel time and costs to local banking cities, and less exposing individuals to crime, cash hording, and loss of funds (adding 5-10% of greater savings on value of remittances).  

(4) With mobile banking technologies providing much higher and low cost access to Mexican financial products and services (in both the villages and cities), generating a dramatically higher availability of funds for savings and investment vehicles. Thus electronic remittances are “saved and invested” in high impact local production, generating local multiplier effects from productive consumption, reducing import dependence, cash hording (in homes and underground) or in other non productive assets (such as land and slow construction housing).

(5) This Virtuous Cycle is thus characterized as a reversal of the “Dutch Disease” through reduced dependence on external resource inflow, as assets are more efficiently and productively used through local investment, production and productivity. Even exports to transnational corridor markets can increase as the transnational network further deepens its knowledge and options in the U.S. Local sustainability and reduced external dependency are reinforced as remittances feed growing equality between remittance receiving and on-receiving households.

More and more households over time can thus make the strategic calculations not to migrate through their transnational networks and corridors, especially in the context of decreasing demand for migrants on the U.S. side of the corridor, thus linking the cycle back to (1).

3. **Adopting an Alternative “Branchless Banking” Ecosystem Approach**

NAIDs original Project approach to bank migrants and their families in the US and in Mexico focused on developing and implementing new technologies that would connect participating community based credit unions in the U.S. with Mexican CFIs. NAIDs objective of partnering with U.S. community development credit unions (CDCUs) was based on their mission of serving financially underserved, low income and immigrant populations and their track record of financial innovation. However, CDCUs also tend to be less capitalized than large credit unions and have fewer personnel able to support a broader menu of innovations. Most also have no prior

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13 Ramiro Alberto Rios Flores. Ibid.
programmatic or fiscal relationship with CFIs outside of the United States; little systematic data regarding the actual demand for services by Mexican immigrants in their charter area also contributed to a cautious consideration of participation in the Project by several targeted CDCUs despite their stated keen interest.¹⁴

Facilitated by the emerging mobile banking technologies, NAID began to fashion an alternative “branchless banking” ecosystem approach that does not depend entirely on the capacity and cooperation of traditional banks or credit unions (Figure 5). Linked by mobile debit capacities, a broader array of non-bank institutions and entities can extend clients’ access to financial institutions, services and products (such as low cost remittances, savings, insurance and microloans). Mobile debit technology platforms can be shared by a wide range of large and small businesses, community organizations, or literally anybody with a cell phone within easily accessible and potentially massive “branchless banking” ecosystems. A vast new potential for inclusive mobile branchless banking ecosystems can also extend to government, post offices and small retail shops in villages and towns where there are no banks or CFIs and where none are likely to be built.

FIGURE 5

¹⁴ There are some US credit unions that have initiated a joint relationship with foreign CFIs for remittance purposes facilitated by the World Organization of Credit Unions (WOCU). They nonetheless rely on a traditional and relatively high-cost remittance service (IRnet). See FOCUS, Guatemala, Credit Unions Provide Unbanked Remittance Recipients with access to Financial Services. WOCCU, Inc.: Vol. 2, June 2005.
IV. FUTURE STEPS

A. Applying Lessons Learned to Future Stages of the Project

In this section, we review how lessons learned will be applied for future stages of the Project, supported by a Packard continuation grant and possibly a future third grant that will allow the greatest realization of the Project goals implemented at a national level...

First, we discuss plans to build out inclusionary mobile enabled transaction based financial ecosystems at both the US and Mexico ends of our selected migrant remittance corridors. Second, we consider how the build out of mobile financial ecosystems will serve to scale up the project from local implementations to broader regional and transnational applications. And third, we describe partnerships developed during this grant period and why they are important for the project including partnerships or agreements for implementation in other countries.

1. Build-Out of Inclusionary Mobile Enabled, Transaction Based Financial Ecosystems

The potential of mobile based financial technologies and services to address poverty and serve as vehicles for the financial inclusion of the poor and unbanked has been recognized by the telecommunications and finance sectors as well as by the international development community including donors and civil society organizations. Analysts also recognize that equally critical is the build-out of mobile banking ecosystems defined as “networks of organizations and individuals that must be in place for mobile money service to take root, proliferate, and go to scale.”

NAIDs modified financial inclusion approach developed during this grant period exemplifies the ecosystem model. Also called a transaction-based model, the build-out requires creating a network of transactional points or small businesses and other institutions already patronized by poor and low-income people. Ignacio Mas, Deputy Director of Financial Services for the Poor at the Bill and Melinda Gates Foundation and former World Bank analyst, asserts that poor people’s basic financial needs (i.e., purchases, savings, bill payment) can be accommodated safely by use of these indirect channels and technology: “deploying cards to customers and point of sale terminals to stores so that all transactions are properly verified, authorized and recorded in real time …[and]… can be done more cheaply if people’s mobile phones are used as an alternative to both cards and point of sale terminals, since they are functionally equivalent devices.”

Other businesses or governmental entities seeking to develop new or improve existing relationships with underserved populations may also be incorporated into these financial ecosystems, and in some cases may serve to initiate an inclusionary financial ecosystem as in the case of the City of Oakland.

17 Ibid.
Oakland will now serve as the NAIDs northern California corridor site; the majority of its Mexican immigrant residents are from Michoacán and Jalisco. NAID facilitated the City of Oakland adopting a Municipal ID Debit Card available to all its residents, becoming the first city in the United States to provide in particular its financially underserved constituents with a fully enabled mobile and card based “banking” tool. The Muni ID Debit card will also provide additional products such as micro life insurance as well as low cost domestic and transnational remittance services. The latter can also be sent directly to Mexican CFIs (Envios Confianza, AMUCSS, and SMB) as deposits and/or as savings development bonds to fund local and extra-local productive projects.

The development of this and other inclusionary financial ecosystems in the Project corridor sites requires working with a DOC. SF Global Group was selected as the City of Oakland’s municipal ID Debit card vendor. It will also enroll the commercial entities comprising the network of transactional points with Independent Sales Organizations (ISOs) and merchants. NAID will facilitate the inclusion of other city finance programs (Bank on Oakland), non-profit community and immigrant organizations, community banks and community development credit unions.

FIGURE 6 ¹⁸

¹⁸ Sample Oakland ID Debit Card. Actual design to be determined by City of Oakland.
2. Scaling the Project from Local Implementations to Regional, State and Transnational Applications

The City of Oakland inclusionary financial ecosystem is already an example of the scaling up of NAIDs nascent transaction based ecosystems best manifested in the Los Angeles-Oaxaca corridor during this period of the Project. In Los Angeles, NAID facilitated the DOCs build-out of a transactional network of Oaxacan small businesses, merchant associations, sporting leagues, immigrant federations and hometown associations; with transnational connections to counterparts and communities in Oaxaca, Mexico. NAID also successfully facilitated partnership agreements with Episcopal Federal Credit Union and COFEM in Los Angeles and with Envios Confianza and AMUCSS in Mexico.

Brought to the attention of the former Mayor of Oaxaca City, now the Governor of Oaxaca, advanced discussions regarding a state ID Debit card are being held between the DOC SF Mexico and the Governor’s office. Also discussed is providing the state ID debit card to Oaxacan expatriates in the United States. If successful, it will become the first Mexican state issued ID Debit card; if it is also extended to Oaxacan expatriates, it will become the first transnational Mexican state issued ID Debit card.

FIGURE 7
3. Partnerships Important for the Continuation Project Including Partnerships or Agreements for Implementation in Other Countries.

As apparent in the above discussions, domestic and transnational inclusionary mobile and transaction based financial ecosystems require multiple partnerships to be successful. Those facilitated by the NAID Center during this grant period will be further developed and sustained during the Continuation Project and into the future.

NAID is also already laying the foundation for a third stage of the Immigrant Remittance Project that will scale the inclusionary financial ecosystem to the eastern region of El Salvador and possibly to a national level. Advanced discussions and contract agreements to build mobile and transaction based financial ecosystems in El Salvador have ensued between Project DOC partner SF Global Group and Salvadoran ministries of the current federal administration, with mayors of local municipalities, with private banks (PROMERICA), governmental development bank (Banco Multilateral de Inversiones), and microfinance institutions (Banco de Fomento Agropecuario); with members of the business community and non-profit environmental organizations. The latter,
including the UNESCO Xirueltique-Jiquilisco Biosphere Reserve located on the coast of El Salvador, are focused on sustainable environmental productive projects. The Reserve is managed by La Coordinadora de Bajo Lempa y Bahía de Jiquilisco, a coalition of grassroots groups active in more than 100 communities in that region, whose members have microcredit and savings needs. Women are at the forefront of these efforts.  

Salvadoran expatriates politically active in the greater Los Angeles area as well as in national politics in El Salvador, have also partnered with the NAID Center to organize the build out of a network of transaction points in the Los Angeles Salvadoran Business corridor with the intention of replicating the financial ecosystem in other US cities where Salvadorans are concentrated. To that end, they facilitated as well NAID receiving from the Office of the President and Ministry of

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Foreign Affairs, a data base of all passports issued by El Salvador that NAID has used to begin mapping what cities and regions Salvadorans expatriates are from; and where they now reside in the United States. Immigrant remittance corridors are being formulated based on the mapping results depicting the concentrations of Salvadorans in US cities (Washington, DC, Houston, San Francisco, and Boston).

MAP 7
Given the demonstrated interest and support of the current Salvadoran presidential administration; the relatively small size of the country and domestic population; ubiquitous cell phone use throughout the country; and active political participation and high remittance sending practices of Salvadoran expatriates in the US; the mobile transaction based financial ecosystem model could be scaled to a national level.

El Salvador already issues a national identity card, the DUI, to Salvadorans 18 years of age and older that is also required for voting. The current federal government is exploring what incentives may encourage its expatriates in the US to apply for the DUI with an eye toward facilitating their participation in the upcoming 2014 national elections. NAID has recently proposed to the Salvadoran President’s and Assembly Speaker’s Offices, that the DUI be leveraged as a multi-functional debit card for use in the built out transnational financial ecosystems, a more useful product that is likely to incentivize expatriates to apply for the card.

VI. FINAL BUDGET

Attached.