

How to send money to Central America and Dominican Republic Choosing a service that meets your needs

envía CentroAmérica



Envía CentroAmérica www.enviacentroamerica.org gives you free information on how much it costs to send money home.

From



United States



Costa Rica: San Jose

To



Costa Rica



El Salvador



Guatemala



Honduras



Nicaragua



Panama



Dominican Republic



Nicaragua

The image features a light gray background with a faint grid of latitude and longitude lines, resembling a globe. Overlaid on this is a dark gray silhouette map of the continents of North and South America. A solid red horizontal banner is positioned across the middle of the image, partially obscuring the map. The banner contains white text.

<http://www.enviacentroamerica.org>

envía CentroAmérica

- ▶ In 2010, Central America and the Dominican Republic received a total of US\$ 14.8 billion in remittances. In some of these countries—for example, Guatemala, Honduras, Nicaragua, and El Salvador—the amount received in remittances represented more than 10 percent of their Gross Domestic Product (GDP) for the year. Considering the impact of remittance income on the economies of the region, it is extremely important to try to lower the cost of sending this money. Steps also need to be taken to ensure that this market is more competitive and more transparent. Such a change can only happen if remitters have full information about the cost of sending their money and about the various features of the money transfer services.
- ▶ To work toward this goal, the Multilateral Investment Fund (MIF), a member of the of the Inter-American Development Bank (IDB) group, together with the World Bank (WB), and the Center for Latin American Monetary Studies (CEMLA), have taken the initiative to create *Envía Centroamérica* at www.enviacentroamerica.org.¹ In addition, the Central American Council of Consumer Protection Agencies (CONCADECO), an intergovernmental group that brings together agencies that protect the rights of consumers in the Central American countries, has also joined this initiative.
- ▶ *Envía Centroamérica* provides free information on how much it costs to send money from the United States to Costa Rica, El Salvador, Nicaragua, Panama, Guatemala, and Honduras, as well as the Dominican Republic. In fact, *Envía Centroamérica* offers very detailed information about what the different operators and businesses charge in five of the main places from which remittances are sent in the United States: California, Florida, New York, the District of Columbia, and Massachusetts. It also tells how much it costs to send remittances in the intra-regional corridor from San Jose, Costa Rica, to Nicaragua.

¹ The World Bank has identified 12 key minimum mandatory requirements of a national remittance price database. The World Bank certifies databases that meet the minimum requirements. The database for *Envía Centroamérica* has been certified by the World Bank, since it meets the minimum mandatory requirements of a national remittance price database. For further information, see <http://remittanceprices.worldbank.org/National-Databases>.

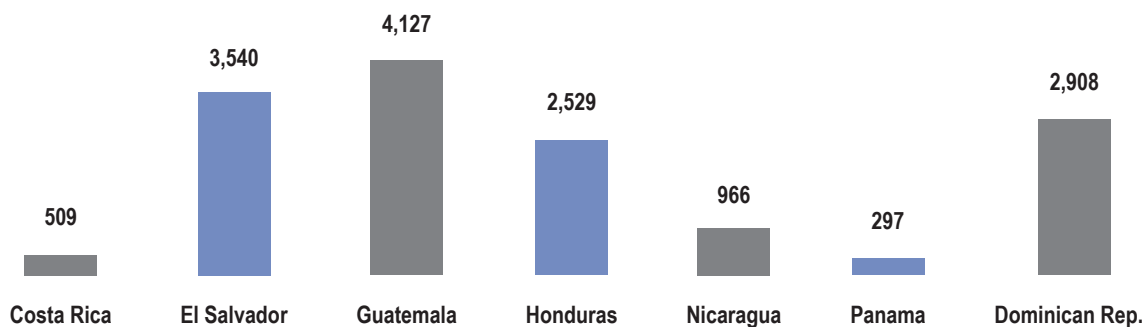
- ▶ *Envía Centroamérica* makes it possible to evaluate the different options available for sending remittances and to compare the prices and features offered by the various operators. It helps both the sender and the receiver to make the decisions that are best for their particular situation. The aim of *Envía Centroamérica* is to help reduce the cost of sending remittances from the United States to the Central American region and the Costa Rica-Nicaragua intraregional corridor.

✓ *Envía Centroamérica* offers information organized by:

1. **City from which the remittance is being sent**
2. **Cost in US dollars to send US\$ 200 and US\$ 500**
3. **Operator or business that will send the money**
4. **Product/service:** for example, cash-to-cash; cash-to-account; account-to-cash; account-to-account; credit /debit-to-cash; etc.
5. **Transfer speed:** how long it will take for the money to arrive in the receiving country, and therefore when it can be collected by family members—for example, within an hour, the same day, the next, day, or after three to five days.
6. **Fee charged by the operator**
7. **Exchange rate:** rate at which the remittance is converted to local currency and conditions that apply for a margin or commission to be added to the exchange rate.
8. **Total cost:** Total charge (in US dollars) for sending the remittance, and percentage that it represents of the amount being sent.
9. **Currency in which the family will receive the remittance:** in other words, whether the money will be delivered in local currency or in dollars.
10. **Pickup location:** bank; money transfer company; bank or money transfer agent; store; pharmacy; messenger service; etc.

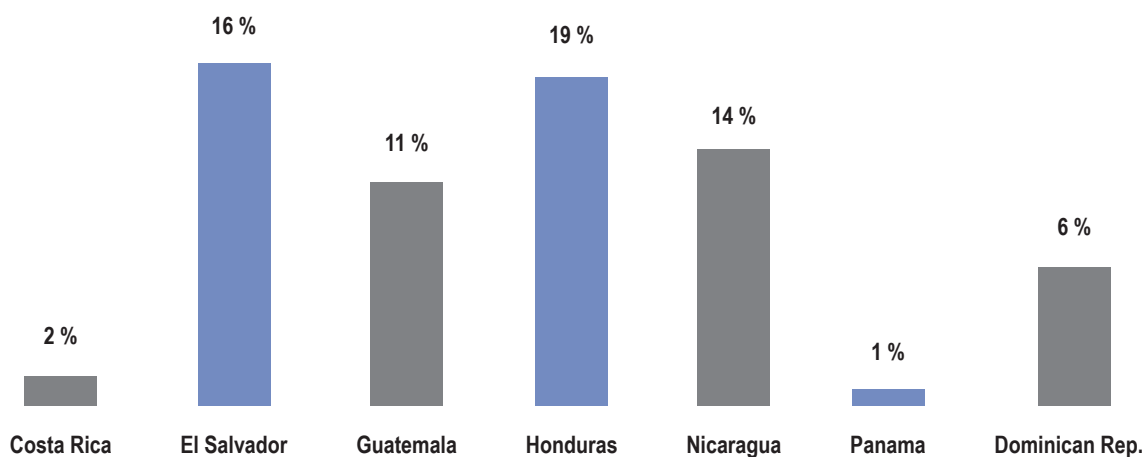
✓ For the Central American countries and the Dominican Republic, remittances represent a sizable source of income, measured in terms of both current dollars and as a proportion of their overall economic product (Figures 1 and 2).

Figure 1: Income from remittances in Central America and the Dominican Republic, 2010 (millions of US\$)



*Estimates based on MIF Data for 2010

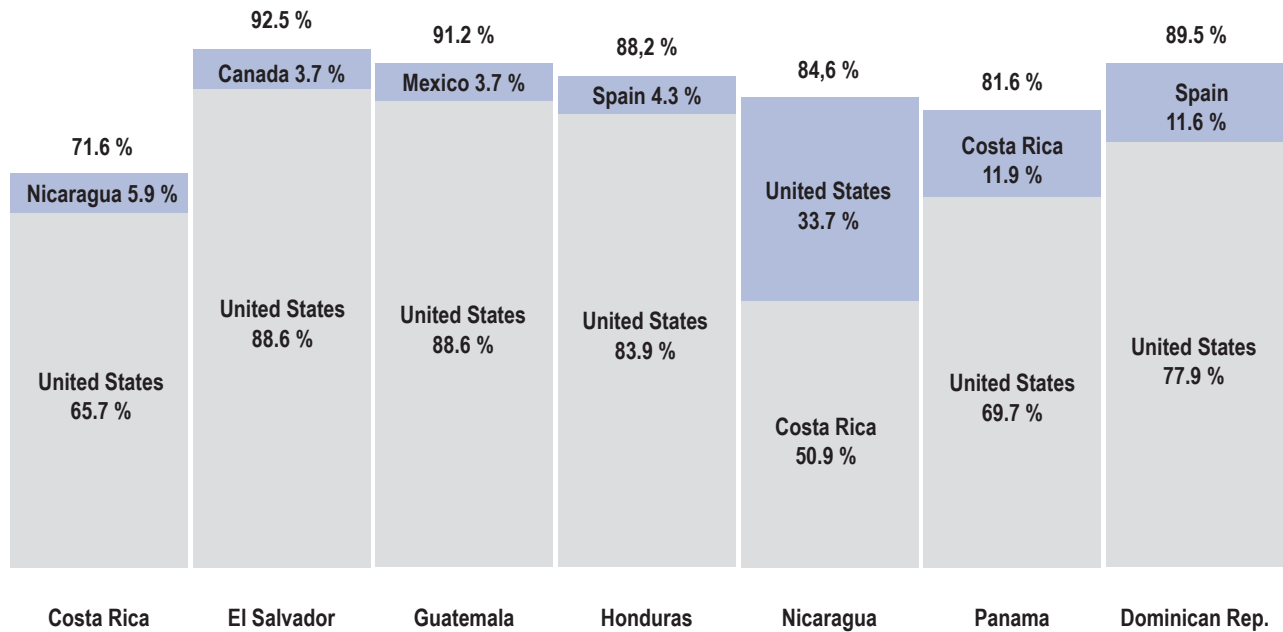
Figure 2: Remittances/Gross Domestic Product, 2010



*Source: MIF 2010.

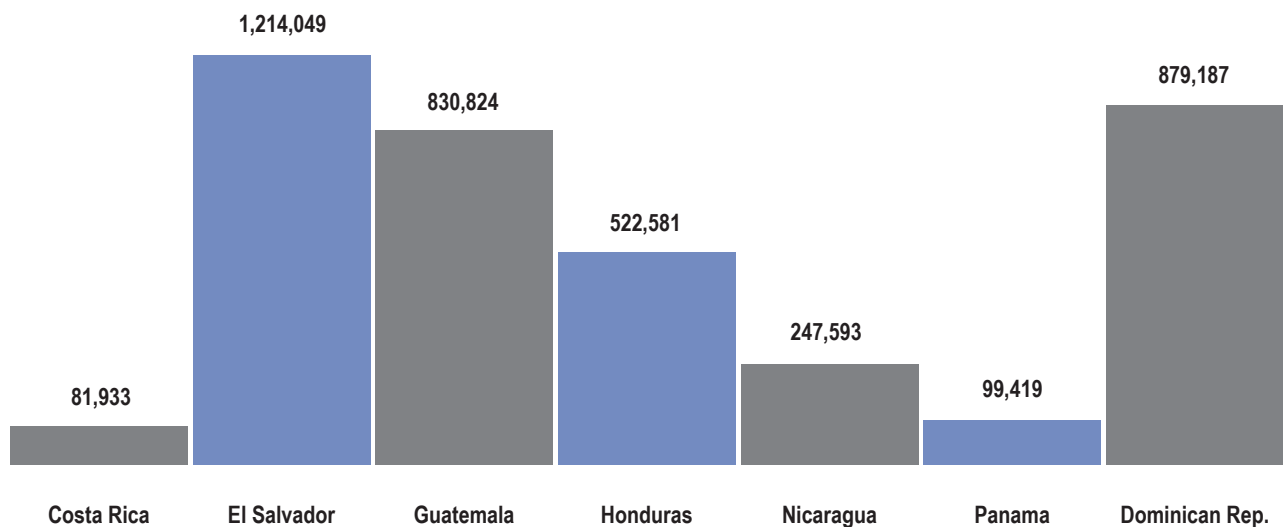
- In these economies, remittance income reflects the prodigious amount of work done by their emigrants in a number of countries, especially the United States, which is one of the main destinations of this migration, and therefore, a key point of origin for remittances (Figures 3 and 4).

Figure 3: Destinations of emigrants from Central America and the Dominican Republic, 2010 (% of total emigrants from each country)



Source: Prepared using information from the World Bank and the United States Bureau of the Census.

Figure 4: United States: Population immigrating from Central American countries and the Dominican Republic, 2010 (number of persons)



Source: Prepared using information from the United States Bureau of the Census.

- ▶ Remittance income has had a positive effect on the economies of Central American countries and the Dominican Republic and for hundreds of thousands of receiving families. It has actually reduced poverty: remittances have enabled families to achieve a higher standard of living by helping to cover the cost of consumer goods, education, health, housing, and even, in some cases, investments in small family businesses.²

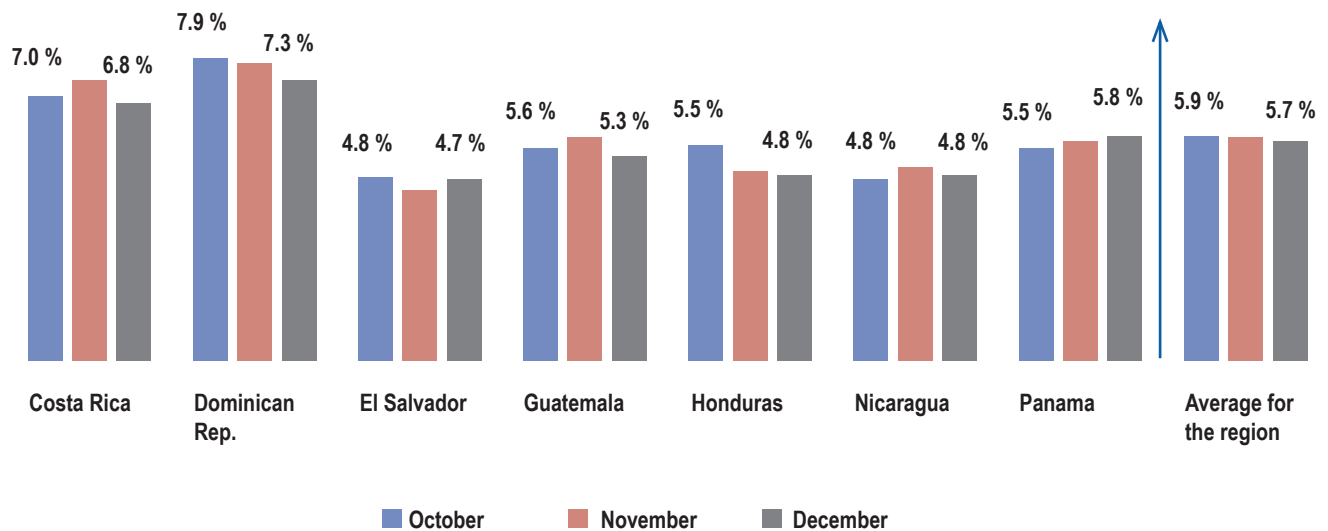
Some conclusions can be drawn by looking at the data from the last quarter of 2011 (October, November, and December 2011). The cost of sending US\$ 200 or its equivalent in local currency from the United States to Central American countries and the Dominican Republic, not including the Costa Rica-Nicaragua regional corridor, was analyzed.

- ▶ The analysis showed that the average price for remittances in these corridors fell slightly in the last three months of 2011. More specifically, the total cost to send US\$ 200 to the group of countries in question declined from 5.9 percent in October 2011 to 5.7 percent in December of the same year. In other words, immigrants from Central America and the Dominican Republic paid an average of about US\$ 12 for every US\$ 200 sent to family members in their country of origin.
- ▶ During the fourth quarter of 2011, immigrant workers in the United States from the six Central American countries and the Dominican Republic spent a total of approximately US\$ 212 million to cover the cost of sending remittances to families in their country of origin. This amount would correspond to 12 percent of the annual GDP of Nicaragua.
- ▶ In 2011 there were significant differences between the countries studied in terms of the average price for sending remittances from the United States. This price, as a percentage of the amount remitted, was highest for Costa Rica and the Dominican Republic and lowest for El Salvador and Nicaragua (Figure 5). It should be noted that for transfers to El Salvador and Panama, which are officially dollarized countries, and to Nicaragua, where the majority of remittance service providers pay in dollars, the consumer is not affected by the cost differential for currency exchange. In the other countries, however, most of the remittance transactions are paid in local currency, and a currency exchange operation is therefore required.³ In these cases, the currency exchange rate differential, which is not included in the transfer fee, represents part of the cost of sending remittances.

2 Ricardo Monge González, Oswald Céspedes Torres, Juan Carlos Vargas Aguilar. "South-South Remittances: Importance of the Costa Rica-Nicaragua Corridor." *Costa Rica-Nicaragua Corridor*. San José: Academia de Centroamérica, 2009. According to the analysis presented in this document, without the remittances, many of the receiving families would fall below the poverty line or even find themselves in extreme poverty.

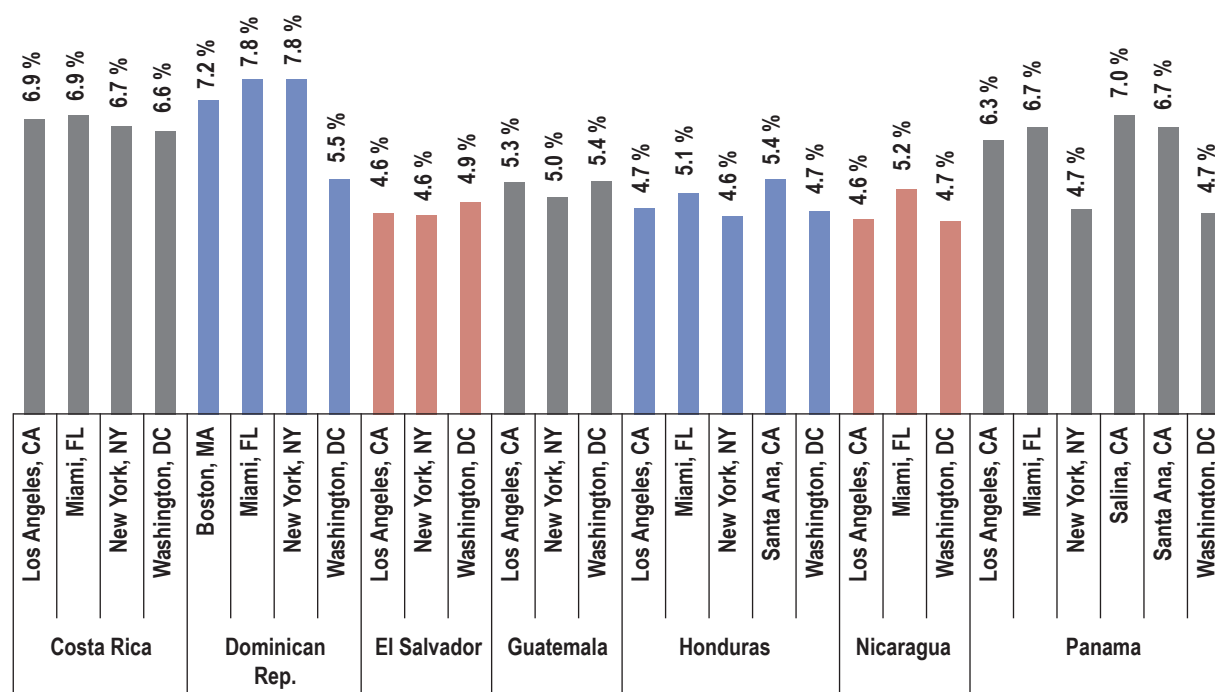
3 In this database, when remittances are paid in dollars, or when information about the exchange rate is not provided, the information may not be available. In such cases, the total costs may be higher than figures given in the database.

Figure 5: Average cost of sending US\$ 200, 4Q 2011



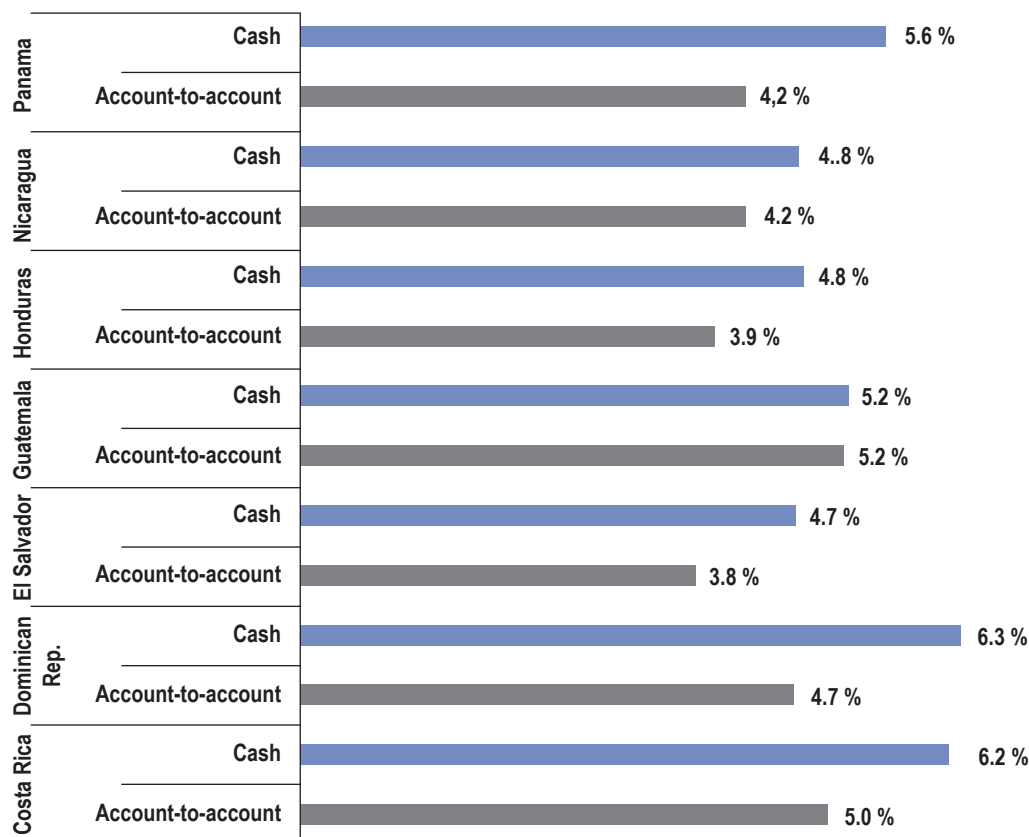
- ▶ To send money to Honduras, which according to MIF figures receives approximately 17 percent of all remittances from the United States to the country group in question, the average cost was 5.5 percent in October 2011, whereas by December the figure had dropped to 4.8 percent.
- ▶ For remittances to El Salvador, which account for about 24 percent of the total sent from the United States to the region under study, the cost averaged 4.8 percent in October and 4.7 percent in December.
- ▶ To Guatemala, which attracts approximately 28 percent of the remittance flow, the cost was 5.6 in October and fell to 5.3 in December.
- ▶ In terms of the United States cities from which the most people send remittances to Central America and the Dominican Republic, in December 2011 the highest transfer costs were from Miami and New York to the Dominican Republic (Figure 6). On the other hand, the lowest costs were from New York and Los Angeles to El Salvador and Nicaragua.

Figure 6: Average cost of a US\$ 200 cash remittance, by city, December 2011



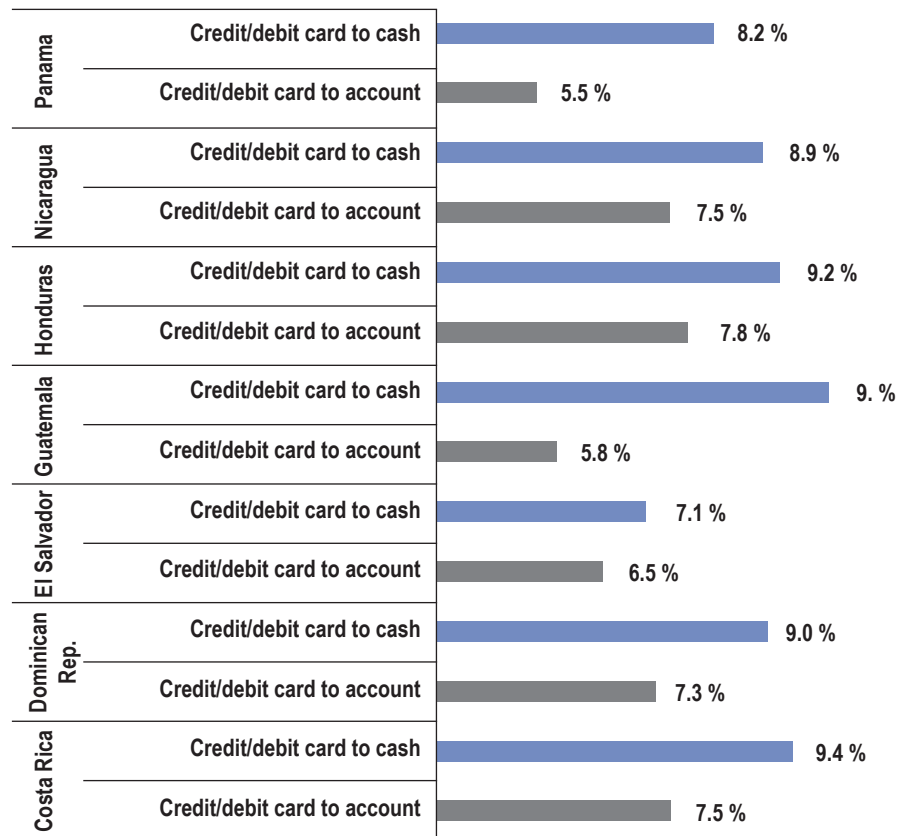
- People from Central America and the Dominican Republic who live in the United States have access to a variety of options for sending remittances, including both money transfer operators and commercial banks. The operators accept cash at their public locations, and they also make transfers by telephone or Internet using a debit or credit card. The banks also offer various services, but they are often limited to handling only cash or bank account transactions.
- On average, a US\$ 200 cash-to-cash remittance to a Central American country or the Dominican Republic costs about US\$ 11. For an account-to-account transaction, the average price is around US\$ 9. Only a few banks in the United States have an active presence in the remittance market, compared with a large number of money transfer service companies.

Figure 7: Average cost of cash versus bank-to-bank remittance, December 2011



- ▶ A number of money transfer operators offer the option of sending remittances from the United States to Central American countries and the Dominican Republic using debit and credit cards. This option, though it is fast and safe, always costs much more than the other modalities (Figure 8). The difference can be in excess of 4 percentage points, as in the case of Guatemala.
- ▶ For a sender to have access to these modalities, he or she has to have a bank account. According to information from the MIF, fewer than half of all remitters have bank accounts.

Figure 8: Average cost for use of debit/credit card, December 2011



- In conclusion, this tool for comparing costs for sending remittances, updated monthly, is expected to help immigrant workers and their families choose the service that best meets their needs and preferences. If it only helped reduce the cost of sending remittances by a single percentage point, immigrant families would together save a total of approximately US\$ 150 million.

The image features a light gray background with a faint grid of latitude and longitude lines, resembling a globe. Overlaid on this is a dark gray silhouette map of the continents of North and South America. A solid red horizontal banner is positioned across the middle of the image, partially obscuring the map. The banner contains white text.

<http://www.enviacentroamerica.org>