

**Migratory Flows, Poverty  
and Social Inclusion in  
Latin America**

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## 1 INTRODUCTION

Current poverty reduction strategies in LAC (Latin American Countries) underestimate the impact of migratory movements and remittances on social inclusion and do not fully include migration as a component of their strategies.

Some Latin American municipalities have launched creative initiatives in this field and their experience is well worth reviewing. To date little documentation of these efforts has been made particularly in terms of assessing the performance of the methods used and the impact of the monitoring on local development policies and governance.

Mona Serageldin, Associate Director, Center for Urban Development Studies and Yves Cabannes, Regional Coordinator, UMP-LAC (UN-Habitat Urban Management Program) are jointly undertaking a study to document and analyze the impacts of migratory flows in Cuenca, Ecuador and Maracaibo, Venezuela. This study is sponsored in part by the David Rockefeller Center for Latin American Studies at Harvard University.

Given the importance of migratory movements in Latin America, the findings will be of interest for local authorities as well as multinational and bilateral development organizations working in local development and poverty alleviation programs. This paper presents some preliminary findings of the study, which is still in progress, based on research and field documentation in Cuenca, Ecuador.

We wish to acknowledge the information and documentation received from the Mayor of Cuenca, Mr. Fernando Cordero Cueva who gave generously of his time, the Department Heads and their staff. Their inputs were instrumental in the successful completion of the field mission. We also wish to acknowledge the information received from Mr. Bolivar Saquipay and Luis Quinde, Presidents of the Tarqui and the Turi Parishioner Committees, respectively; Mr. Humberto Cordero, President of the Construction Chamber; Ms. Marcela Cassaro, President of the Association of Peruvians in Cuenca; Mr. Franklin Ortiz, Director of the Social Pastoral; and Mr. Raffael Estrella and Mr. Pedro Andrade director of photography and director of Ojo Rojo Produccion, respectively, all of whom gave important insights on the range of issues raised by this challenging research effort.

## **2 IMPORTANCE OF THE TOPIC**

In the past decade, but particularly since the mid 1990's, Latin America has experienced a dramatic increase in migratory population flows across national boundaries regionally and internationally.

Disparities in the distribution of wealth have generated and sustained such massive moments in Asia and the MENA (Middle East North Africa: Thailand, India, Pakistan, Philippines, Egypt, Sudan, Yemen, Jordan) since the mid 1970's when workers from poorer areas sought jobs in the oil rich countries. The vast majority was employed as lower skilled labor in construction and services, graduates were hired as mid level technical and managerial personnel and some experienced professionals secured senior positions in the face of competitors based in the west.

These migratory patterns have been well studied in terms of labor dynamics and the impact of remittances on the economies of migrant sending countries. In contrast the impacts on rural areas and on the dynamics of urban growth were not addressed until their magnitude could no longer be ignored.

Attempts by national governments in need of foreign exchange to tap remittances through control measures including taxes, transfer fees and mandatory contributions to various government funds, predictably failed. These measures only managed to divert transfers to informal channels and curtail potential investments by expatriates. Offering incentives to attract remittances to formal institutions and investment purposes proved a more productive approach. These incentives included foreign exchange accounts and preferential treatment of investors in real state and development projects.

The massive migratory movements taking place in Latin American countries (LAC) today share some similarities but also display differences with the MENA/ ASIA experience.

### **2.1 Categories and levels of migratory flows**

The LAC migration is also fueled by growing disparities in the distribution of wealth in a region where disparities are already very wide and have been aggravated by globalization, restructuring of national economies and a succession of financial crisis, since the mid 1990's. The ECLAC (Economic Commission for Latin America and the Caribbean) estimates that from 1998 to 2002 poverty increased from 42% to 44%, an increase of 20 million persons. Of the 220 million poor, 90 million live in extreme poverty mostly in the rural areas<sup>1</sup>.

Wars and natural disasters have generated overlays of migratory flows of a more or less temporary character usually confined to cross border movements or rural urban and intercity movements within the same country. In the 1980's Bolivians and Paraguayans flocked to Argentina, and Colombians to Venezuela. Today a reverse migration out of these two countries prevails with Argentineans and Venezuelans themselves moving to the U.S. and the E.U. In Central America, during the decade of conflict, Nicaraguans migrated to Costa Rica and Honduras and Guatemalans, predominantly ethnic Mayans, to Belize.

Since the mid 1990's expatriate workers from the Caribbean, Central America and South America have flocked to the US and to a lesser extent to the European Union countries. Spain is the preferred destination of migrants from Ecuador, Colombia, Peru and the Dominican Republic. Brazilians go to Japan and Portugal, Peruvians and Argentines to Italy and migrants from the Caribbean countries to the U.K. and Canada. According to recent studies by the IADB (Inter-American Development Bank), remittances from these migrants to their home countries have grown by 40% since 2000, reaching US\$32 billion in 2002. This increase has propelled Latin America to the forefront as the largest recipient of remittances accounting for 31% of the volume of remittances in the developing world<sup>2</sup>.

There are no less than 12 million LAC migrants principally in the US, from where 70 % of LAC remittances in 2002 originated. Another US\$1 billion were transferred by migrants in each of Canada, Spain, and the rest of E.U. Although dwarfed by international migration, intra-regional migration involves an estimated 3 million workers who remit US\$1.5 billion. There are established migrant communities of Dominicans and Nicaraguans in Costa Rica, Bolivians in Argentina and Haitians in the Dominican Republic. In addition there has been a large influx of people from all of Central America to Mexico and the U.S. Border towns, a region that boomed after NAFTA was enacted but has experienced a loss of 300,000 jobs in the past few years as a result of the slowdown in the U.S. economy<sup>3</sup>.

## **2.2 Key economic impacts and levels of migratory flows**

Recent studies of migration in LAC focus on the volume of remittances and their impact on the national economy, the modalities of transfers, and the ways by which financial institutions can tap this potentially lucrative market. Because individual transactions typically involve amounts of US\$100 to \$300 (usually on a monthly basis), banks have largely left this market to money transmitting companies and postal services in addition to various categories of informal actors<sup>4</sup>.

Some studies include surveys of migrants that do not presume to be representative samples but nevertheless give interesting information on the characteristics of migrants, the motives underlying emigration, remittances and the choice of mode of money transmission. Some studies, and in particular the work of Manuel Orozco look at the links to families and communities of origin and the transfer and use of remittances. His findings, as they relate to this paper are discussed in section 3.2.

As the number of migrants increases and remittances grow in volume, the number of formal or informal intermediaries seeking to capitalize on the migration process, the money transmission market and the sale of good and services to migrants and their families also increase. These intermediaries reap substantial profits while migrants and other household members are mostly unaware of the real charges and fees that they are actually paying. The information on these different categories of intermediaries is scanty and in the case of informal intermediaries, of questionable reliability given the reluctance of those directly concerned to discuss their business and the structure of their operations.

### **3 EXTERNAL MIGRATION**

#### **3.1 Brief review of studies on remittances in Latin America and the Caribbean**

Accurate estimates of transnational migration are difficult to come by because of the predominance of extra legal movements and undocumented migrants. Unrecorded transfers probably account for about 20 to 30% of remittances originating in the US. Since 2000, Central America, the Caribbean, and the Andean region are the major recipients areas exhibiting above average annual rates of increase of 18.6%, 20.7% and 19.8% respectively<sup>5</sup>.

Remittances are a major source of income for migrant sending countries. According to the IADB studies, remittances account for 25% of GDP in Nicaragua and bring in an infusion of foreign exchange equivalent to half the value of exports. In El Salvador this contribution is greater than the totality of the country's exports. Mexico is the largest recipient of net remittances in Central America and accounts for about one third of the LAC total. Remittances grew from US\$2.4 billion in 1990 to 10.5 billion in 2002. While this value is equivalent to only 10% of Mexico's exports it amounts to 80% of foreign direct investment. In Brazil net remittances of US\$15 billion in 2002 make a vital contribution to the balance of payment as the country struggles to recover from the 1998 financial crisis<sup>6</sup>.

A study of remittance senders in the US conducted by D.C. Benavides for The Pew Hispanic Center (PHC) / Kaiser Family Foundation in 2002 shows that 60% are male, 63% under the age of 40, 59% have not completed high school, 64% are employed as unskilled laborers, and 54% can barely understand English or not at all. Average age at migration is 25 years and 45% plan to eventually go back. 72% live in rental accommodations, which they share with 4 others on the average<sup>7</sup>.

Because of the priority placed on saving and remitting, migrants willingly endure difficult living conditions and accept exclusion in one location in order to acquire assets, usually land and housing, or start a business and achieve inclusion at another location in a different country. In the case of floating populations, similar patterns prevail with migrants working in one locality and investing in another.

Migrants differentiate between remittances sent for subsistence or basic expenditures, including health and education, and remittances sent for savings and investments purposes. In poorer households, the bulk if not the totality of the transfers are spent on necessities. Receiving members of the household spend as needed to pay for their daily living expenses. Transfers intended for investment are jointly managed and are part of the household's strategy for self-improvement. Decisions regarding the timing and sequence of the investments are carefully planned according to needs and means.

#### **3.2 Links between transnational migrants and place of origin**

Manuel Orozco's work<sup>8</sup> on immigrant Latino communities in the US highlighted the emergence in the 1990's of hometown associations among expatriate communities and their growing role in

maintaining links to places of origin. These associations combine social functions in the US with coordinated efforts to support hometowns in Latin America.

Hometown associations are still quite small private voluntary organizations lacking formal organizational structures. They raised on the average of US\$10,000 per year to send to their hometowns in 1999. They rarely have institutional counterparts in their home countries. Between 20 to 30% of migrants contribute to these collective remittances. An interesting feature is the evolution of the support they fund from charitable activities mainly linked to the Church to investment projects to improve infrastructure and services in their hometowns and villages.

Mexico has taken the lead in recognizing the potential of these associations and in attracting their investments by offering incentives to finance joint projects. Special hometown development funds are created to leverage association funds with grants by state, federal, and more recently municipal governments. Zacatecas, Jalisco, and Guanajuato -a region of high out migration- were the first states to set up such funds. In the latter 2 states the joint ventures were used to finance “employment generating projects,” mainly garment factories. Jobs were created and relatives of migrants were given preference in hiring. Nevertheless the projects perpetuate the deplorable features of the *maquiladoras*’ system.

The associations’ community wide development projects are of greater interest since they finance infrastructure (potable water, sanitation, street paving) and community facilities (school, health centers, parks). These projects can lead to productive partnerships between the associations, local authorities and CBOs (Community Based Organizations) to meet community needs.

### 3.3 Migration and remittances in Ecuador

Ecuador is a particularly interesting case to consider in view of the explosive growth of external migration fueled in large part by the economic crisis of the 1990’s. The crisis was exacerbated in 1996 by falling oil prices and the impact of the shift in oceanic currents that gave rise to the *El Niño* climatic conditions affecting agriculture and fisheries.

The deepening economic problems throughout the decade are reflected in key economic indicators:

- The stagnation of the GDP per capita, which remained unchanged in dollar terms at about US\$2500<sup>9</sup> while the consumer price index climbed from under 100 to close to 1000<sup>10</sup>.
- The growing inequalities as the share of income accruing to the poorest 20% of the population fell from 4.6% to 2.5% while the share received by the richest 20% grew from 52% to 61.2%. Consequently, the proportion of people living in poverty doubled to reach 71% in 2000 and the proportion living in extreme poverty almost tripled reaching 31%<sup>11</sup>.
- Rising unemployment, which doubled to peak at 20%<sup>12</sup>.
- Rampant inflation, which stood at 104% by the end of the decade and rapid depreciation of the currency.

The pace of out migration picked up in the mid 1990’s then shot up exponentially from 1998 on. Official data reflect that Ecuador’s total migration between 1990 and 2000 was 550,000<sup>13</sup>.

However, it is estimated that between 1999 and 2003 around 600,000 to 1 million Ecuadorians left the country. Until 1995, the United States was the main destination for Ecuadorian receiving 65% of all migrants from that country. However, from 1995 to 2002 Spain became the preferred destination receiving 53% of the migrants while the US share decreased to 30%<sup>14</sup>. This flow peaked in 2002 when the total number of Ecuadorians registered by the Spanish Ministry of Interior reached 132,628, a 156.6% increase over 2001<sup>15</sup>. In 2002, Spanish immigration regulations were revised as a consequence of new EU guidelines. Enforcing the new regulations is expected to contain if not stem the influx of migrants and, as a result, the United States may become again the main destination of Ecuadorian transnational migration.

Today 14% of the Ecuadorian population relies on remittances as a source of income<sup>16</sup>. The total volume of remittances soared from US\$65 million in 1990 to US\$1.4 billion in 2002, accounting for 7.4% of the GDP and 24.5% of exports despite the recent increase in oil prices<sup>17</sup>. With a foreign debt standing at 60.8% of GDP and 36% of the 2003 budget allocated to debt service, foreign exchange earnings are critical to the stability of the country. Remittances have become the second source of foreign exchange after oil exports and exceed by 10 times the foreign aid received by Ecuador by 5 times the IMF loans disbursements<sup>18</sup>. According to a survey commissioned by FOMIN (Multilateral Investment Fund at the Inter-American Development Bank) and the PHC in 2003, Spain is the prime destination of migrants from Quito and Guayaquil who generate 44% of the remittances while the US was until very recently the preferred destination of migrants from the Cuenca rural areas and the Andean region, whose transfers account for 38% of remittances<sup>19</sup>.

Migration is a key component of household self-improvement strategies. It is a carefully considered and planned family-decision. This is a characteristic shared by migrants in LAC, MENA and Asia. Households have to cover the cost of travel and subsistence for members they send abroad until the latter have secured work and are able to start remitting. It is a significant commitment of funds that can only be generated through the depletion of savings, the sale of assets (real estate, cattle, jewelry, etc.) and indebtedness. It is viewed as an investment that the household makes with the expectation of future benefits.

The FOMIN / PHC survey also documented the characteristics of Ecuadorian migrants and their families. The survey showed that the migrant member is the one with the highest wage earning potential. Households able to finance migration are those with a monthly income of US\$250 to \$500, that is, at or just above the poverty line. About two thirds of the families receiving remittances fall in this income bracket compared to 27% for the general population. No less than 57% of Ecuadorian households earn less than US\$250 per month and are as yet unable to benefit from migration.

The average amount remitted is US\$175 per month transferred through money transmitting companies (Western Union, Moneygram, Delgado Travel, Prontoenvios, etc.). The bulk of families receiving remittances earn less than US\$500 per month. Each migrant supports on the average three persons mostly women, children and elderly family members. Indeed 66% of receivers are females in the 18 to 49 age groups.

Remittances are mainly used for basic expenses including food, housing, health and education. Expenditures on household appliances and investments in housing and micro-enterprises increase with family income. While many migrants plan to return, it is estimated that only 4 out of 10 actually do. In time, migrants either bring their immediate families to the destination country or get married there. At that point remittances decrease substantially.

#### **4 The Impact of Remittances in Migrant Sending Areas**

##### **4.1 Impact of migratory and floating populations on urban development and social inclusion**

Azuay province is the area with the highest rate of out migration in Ecuador. Between 1990 and 2002 some 249,000 people left the province accounting for 45.3% of the national total<sup>20</sup>. A major source of information is the government passport office in the province. There were 22,000 migrants from the Cuenca canton of which 36.9% came from the rural areas. Detailed data in terms of people per parish and the evolution of flows are not known with precision. Most of the migrants are working age males, principally in the 25-34 age group. The majority are single in contrast to migrants from urban areas, who are typically married. The bulk live in family residences or in “villas” attesting to their economic level above the poverty line. In 2000, Ecuadorian migrants remitted US\$1.3 billion of which US\$600 million went to the Azuay province. The municipality of Cuenca receives around US\$400 to \$500 million annually, that is, US\$1.5 million per day<sup>21</sup>.

Massive migratory movements inevitably affect the urban economy. Since 1999 prices have increased dramatically in Cuenca making it one of the most expensive cities in Ecuador. Cuenca’s inflation is reflected in the increase of the Basic Basket price, which is US\$370 for Ecuador and US\$470 for Cuenca, that is, around 25% higher. Several indicators that measure the impact of migration on poverty were identified through field research and interviews with public officials and citizens.

The average remittance received by households residing in Cuenca is US\$185 per month. Cuenca’s Chamber of Commerce states that most remittances have been used to finance new housing construction, purchase vehicles and home appliances. Yet interviews indicate that about 50% of remittances flows are directed towards migration-related services to service the debt incurred with formal agencies and informal facilitators referred to as “coyotes”, and to facilitate the return and visit of expatriate family members. The major beneficiaries of these expenditures are the intermediaries in the migration business. The cost of migrating to the United States with false documentation provided by “coyotes” is around US\$12,000 to \$14,000. In many ways, “coyotes” stand out as the main beneficiaries from migration in the canton, together with the networks of public employers that issue fraudulent passports, visas and authorizations for the different countries.

Remittances used to purchase status goods such as cars, household appliances and imported clothes do not benefit local production and benefit Ecuadorian merchants in a limited way only. They generate new consumption patterns and do not address the structural factors causing poverty that foster migration. Moreover, the increasing arrival of goods manufactured in China

particularly housewares, shoes, clothing and toys is impoverishing local artisans. The contraband of these products lowers their price even more and fuels migration of unemployed and impoverished workers.

Due to its location, Cuenca is becoming a specialized center for migration-related services, legal and extralegal. The city has become a magnet acting as a gateway for those who want to leave the country and the Andean region. Assessing the impact of this function on the urban fabric and the quality of life in the city is critical to understanding issues of social inclusion.

#### 4.1.1 Impact of migration on the local real estate market

According to the Construction Chamber, just before the dollarization of the economy approximately 50% of the remittances were directed towards the construction sector. Land acquisition and housing were safe investments for migrants, particularly those in the US. Consequently, the price of urban land skyrocketed. Serviced land in the city reached US\$300 to \$350 per m<sup>2</sup>, sometimes higher, two years ago, compared to US\$250 to \$300 per m<sup>2</sup> for a well located parcel in Quito.

The dollarization and the subsequent freezing of savings accounts undermined the confidence in the banking sector. Low interest rates in the US further eroded the attractiveness of investments in new housing construction in Ecuador. As a result, real estate values tumbled. A well located plot acquired by the Cuenca Chamber of Commerce recently for US\$180 to \$200 per m<sup>2</sup> was priced at US\$600 per m<sup>2</sup> and US\$1000 per m<sup>2</sup> two and three years ago respectively. The Chamber estimates that there is a market for housing whose cost including the serviced lot does not exceed US\$30,000. It seems that today migrants' prefer to invest in a more urban, more functional and less ostentatious type of housing. (See [Figure 1](#) in the Annexes)

Moreover, due to the significant differential in land prices within the canton construction activity has tended to decrease in urban areas and to increase in the urban centers of rural parishes or in more distant rural areas. Serviced land in the city costs around US\$120 per m<sup>2</sup> and land in the rural outskirts of Cuenca costs US\$90 per m<sup>2</sup>. Land that can be serviced is priced at US\$25-30 per m<sup>2</sup> while rural land that can be supplied with water and electricity costs about US\$5 per m<sup>2</sup>. The higher affordability of land and living patterns account for the marked preference of migrants, particularly those from rural areas, for building new housing in rural communities mostly on agriculture and pasture land. New buildings reflecting imported North American models abound. Still lacking basic infrastructure (access roads, potable water, and sewerage) these new assets stand as symbols of increasing incomes and social inclusion. (See [Figure 2](#) in the Annexes)

For migrants, investment in real estate in the place of origin is part of a broader strategy of asset building. In the early years abroad or while their status is not yet legalized, they tend to invest more in their communities of origin. As they settle in their country of destination, or their status is legalized, investment in their home communities tends to stop. Rather, they may sell the assets they have previously acquired. These strategies may account for the fact that in some parishes where migration started in the pre-dollarization period there are houses for sale whereas in more

recent out-migration areas there are houses being built. In some localities, housing that was worth US\$60,000 a few years back is put on the market today for US\$45,000 and still finds no buyers.

These trends have led to a decline in housing construction in Cuenca. The increase in the floor area added in 2002 was minimal and a decrease of 3.4% was recorded in 2003 resulting in a decline of US\$3.6 million in construction activity in the housing sector, as shown in [Figure 3](#) in the Annexes.

According to the Construction Chamber, the sector suffered from the migrant's lack of interest rather than from a decrease in remittances per se. In contrast to the decline of housing construction activity in Cuenca, the floor area added in the rural parishes increased by 2% in 2003 to reach 90,000 m<sup>2</sup>.

#### 4.1.2 Intra-regional migratory flows

The departure of large numbers of persons from the labor force has led to a decline in the unemployment rate and an increase in the wages of laborers. Agricultural and artisanal production have declined due to a shortage of labor and the higher wages commanded by the remaining workers.

Labor shortages have in turn generated secondary patterns of intra-regional migratory movements. Cuenca is today an immigrant-receiving region, which is a new phenomenon in Ecuador, typically a land of out-migration. There is no system in place to monitor this phenomenon and laws and policies regarding the new comers are lacking. Peruvians and to a much lesser extent Colombian migrants are coming to Ecuador to work in the trades where labor shortages are most acute. Their willingness to work for lower wages make them attractive to employers and their availability prevents further decline in production. Because of the relative importance of out-migration in the area, this feature is more evident in Cuenca than in Quito or Guayaquil.

- **Peruvians.** Economic policies during the Fujimori administration led to a marked increase in poverty prompting out migration. In the past few years, the flow of migrants from Peru has increased significantly fostered by the Peace agreements signed between the Province of Azuay and the North Peruvian region in October 26, 1998. At present, Peruvians are estimated to number about 3,000 to 4,000 in Azuay Province. They work as street vendors, construction workers and domestic workers. Lack of reliable statistics, unregistered deportations and corrupt immigration controls make it difficult to arrive at accurate estimates of these migratory movements. In Cuenca, the Construction Chamber points out that there are currently 2,200 Peruvian workers who are hired by local firms. The number of street vendors fluctuates but there seems to be no less than 300 at any one time. Unfortunately, there is no available information regarding domestic workers, who are mostly females.
- **Colombians.** The Colombian armed conflict is fostering the arrival of immigrants and refugees to northern Ecuador. From October 2002 to January 2004, 5,700 Colombians requested to settle in Cuenca as refugees mostly seeking political asylum. Furthermore, some young Ecuadorians are being hired as soldiers in the various guerrillas and paramilitary

armies. They leave the rural areas, receive minimal stipends and are unable to support their families. This situation contributes to creating instability in this part of the country and to accelerating internal migratory movements.

- **Ecuadorians from other regions.** The dollarization of the economy and the subsequent appreciation of the currency have exacerbated the low external competitiveness of local products leading to the closure of enterprises in the non technology intensive sectors. Unemployed workers constitute floating populations in search of survival. In the first migratory explosion, just after the economic crisis, workers from the poorer areas such as Chimborazo and Guamote in the Andean region came to Cuenca to work. They lived in shacks close to the construction sites. However, both their level of skill and salary demands could not compete with Peruvians and this flow of migrants is today virtually insignificant in Cuenca as many Ecuadorians sought and found alternative destinations abroad.

Irrespective of their origin, immigrants came to live and work in the urban parishes, particularly in the city center.

#### 4.1.3 Impact of migration on housing affordability

In the housing construction sector, prices jumped due to the combined effect of labor shortages and increased demand. The evolution in the cost of construction labor is probably one of the indicators that best illustrates the impact of migration on housing affordability. Construction labor is in short supply and commands high prices with local masons competing with builders, architects and engineers for a share of the building activity. The hourly wage for a master mason in 2003 was US\$1.29 while in Cuenca it was US\$3.00, up from US\$1.00 in 2001. Masons are paid US\$2.00 per hour in Cuenca whereas the minimum wage is US\$1.27, while mason assistants receive US\$1.50 versus US\$1.26 and laborers US\$1.25 versus US\$1.24. Following the sharp rise of 2000 and 2001, construction costs stabilized in 2002 and declined in 2003 partially due to the supply of Peruvian labor. According to the Construction Chamber, construction costs for single-family housing fell from US\$190 per m<sup>2</sup> in 2002 to US\$175 per m<sup>2</sup> in 2003.

In contrast, rents in Cuenca multiplied by a factor of 3 to 4 in the last four years. The field interviews showed that middle-income groups were hard hit as rents that ranged between US\$60-70 per month skyrocketed to US\$250. Investment in rental housing has become a lucrative option for international migrants as well as local developers. In some cases, rents are set according to the opportunity cost of a similar investment in the U.S. According to some informants, it is more profitable for a migrant to contract debt in the U.S. or Spain and buy or build rental accommodations for Ecuadorian migrants to these countries.

The arrival of Peruvian and Colombian migrants has also led to an increase in the cost of lower end rental accommodations further adding to the complexity of the dynamics of real estate markets at a time of rapid change. Rent prices increased particularly in urban areas and especially in “conventillos”, the traditional housing typology in the historic center, due to limited supply and immigrants’ demand for accommodations in central locations. The rents increase in relation to the degree of marginalization of immigrant population. The fieldwork showed that the poorer immigrants paid the highest per floor area cost. Monthly rents in rooms with no sanitary facilities

cost US\$20 to \$40 and reached up to \$70. These are rooms mostly without windows, unfurnished, infested with rats, lacking natural light, ventilation and water supply. Migrants often sleep directly on the floor, on cardboards. Up to 10 people can share a room. In this case, the landlord charges additional per person fees and can make US\$140 per month per room, that is, over US\$10 per m<sup>2</sup>, a price comparable to the best located apartments in Quito. These landlords generally do not pay taxes.

The increase in housing prices has eroded the affordability of housing for families who do not have members outside of the country, or households with members abroad but who do not receive remittances as well as for the immigrants to Cuenca, particularly Peruvians.

These effects were also felt in the Middle East and North Africa region in the mid 1980's when the construction labor was siphoned off to the Gulf region to work on massive development projects. In the labor sending countries, construction prices doubled in 1974 in one of the worst inflationary trends experienced in the area. The huge volume of remittances pumped capital into real estate driving the cost of land and housing beyond the affordability of the middle classes, a situation which has not been remedied since. While of a lesser magnitude, the situation in Cuenca exhibits similar features.

#### 4.2 Impact of migrations on the profile of poverty

In 2000, Cuenca's extreme poverty rate, stood at 30%, a level lower than the rest of the country due to the high levels of out migration and remittances. According to the mayor of Cuenca, this rate has increased to 44% today despite the sustained migratory flows. To assess the impact of migration on poverty four categories of poor and excluded groups were examined.

- **Families with members outside Ecuador but who do not receive remittances.** They are probably the most affected group having lost working age members and resources as well as prestige within their communities. They are viewed as abandoned families, cast outside the traditional values and social networks and their youth have no role models and no support.
- **Families with no migrants.** They suffer from the effects of the dollarization of the economy and the price inflation in Cuenca. New consumption models affect their children. It increases their fascination for the American and European lifestyles and it fosters their desire to emigrate. However, families in this group have retained their wage earners and are more integrated in the community and its solidarity networks.
- **New immigrants.** It has been reported that some of the Peruvian immigrants live under bonded labor conditions on the outskirts of Cuenca, endure open xenophobia, exploitation, theft of documentation, and violations of their rights by the police. Deportations of around 300 to 500 people per week are frequent. Many of these deportations are organized in collaboration with the employers so that workers are evicted just before the end of work periods without receiving their wages for several months of work. The erosion of community links under the Fujimori regime may account for the lack of solidarity among migrants and the lack of organization within and across occupational categories (street vendors and construction workers) despite being subjected to the same abuse and exclusion.

Colombians are a more formally educated group and include students leaving areas of armed conflict but intending to continue their education and middle class families wishing to settle and invest in a place that is both physically and culturally close. They do not constitute a visible population group. They must have had an impact in driving up prices in the rental market but there is no documentation of this impact.

- **Families receiving insufficient remittances.** Although remittances may not allow them to significantly improve their living conditions, they are better integrated in the community.

Interviews with local NGOs and the municipality and research field and documentation converge on a key issue: the dramatic consequences of migration on families staying in Cuenca. Adverse impacts observed in Cuenca canton include the breakdown of the traditional family structure, the social marginalization of the youth leading to school drop out, alcoholism and gang formation, and the social exclusion of migrants' children stereotyped as lazy, drug addicts and satanic. The adverse consequences created by the absence of key male family members in a culture imbued with strong patriarchal traditions based on family and kin group ties, functions and obligations illustrate the difference between exclusion and poverty. On the average, the income of migrants' children has increased significantly yet, in particular urban areas their level of social exclusion was never higher.

#### **4.3 Municipal initiatives to address the impact of migration**

Cuenca municipality has adopted strategies and launched major initiatives to address the impact of migration in partnership with NGOs, CBOs, Churches, and other civil society groups some of whom received technical support from UMP-LAC. The action plan includes initiatives targeted at migrant populations as well as cross sectoral interventions targeted at specific geographic areas:

- Developing and mapping indicators of social inclusion to identify concentrations of poverty and exclusion and setting up a system to monitor change in these indicators.
- Establishing the “House of Migrants” to foster social inclusion of families without remittances and “The Center of Attention to Migrants and their Families” to give legal support to migrants from the Andean region, predominantly Peruvians at this time.
- Organizing “The Network for economic solidarity”, included in the Cuenca Strategic Plan for Investments in order to:
  - Develop proposals for projects affecting vulnerable population. One of the first initiatives is to promote community-oriented tourism in the rural parishes in order to bring revenues to impoverished communities without disrupting indigenous customs and ways of life in particular among the Quechua community.

- Foster the development of a network of organizations interested in promoting a system of fair exchange and trade among local producers to minimize the number of intermediaries involved in the marketing process.
- Organize fairs in different market areas in the city to promote rural, artisanal, agricultural, and fisheries production. These sectors have been adversely affected by migratory movements and are usually excluded from prime commercial locations in the city.
- Providing micro-credit for housing and productive activities in order to enable families to improve their income and repay the debts incurred to finance migration of some of their members.
- “Improve your Neighborhood” program in the urban area.
- Participatory Budgeting in the rural parishes.

The latter two initiatives deserve to be highlighted in view of their ability to mobilize social capital and create a space for social inclusion within the communities helping mitigate some of the negative consequences of migration.

#### 4.3.1 “Improve your Neighborhood” program

This interesting infrastructure improvement program functions as a partnership between the local authorities, the private sector and civil society. It is in many ways structured to capture remittances and generate benefits for the city as a whole as well as to the individual property owners.

The program services “consolidated” neighborhoods with a high density of privately owned housing. Basic infrastructure provision, tree planting and street paving raise property values benefiting both the city and the home owners. Neighborhood residents submit a request for improvements to the municipality, directly or through their neighborhood organization. For the selected neighborhoods, the municipality undertakes the technical studies, calculates the costs of the project and the charges to the beneficiaries. Infrastructure and paving works along each street are divided according to the block layout into “public works packages” of US\$30,000 to \$40,000 for which construction permits are not required. The packages are distributed among Cuenca engineers who operate as small construction firms; hire the labor and deliver the public works within 60 days. (See [Figure 4](#) in the Annexes)

Property owners are charged a share of the cost in accordance to the length of their lot frontage payable over five years plus a management fee of 12%. A 15% discount is offered to those who prepay the full amount of the charges. To date, the payment rates are close to 98% thereby confirming willingness to pay for access to services. The long waiting lists point to the need, effectiveness and success of this program. The municipality has also set up a system to reschedule repayment in case of hardship and provide subsidies to economically distressed families (single individuals, retired persons or women-headed households) that account for less than 15% of the

total. The ability to tap remittances allows the municipality to work with the banks that accept to issue bonds at slightly lower interest rates (around 11% in 2003). The funds go in most cases directly to the engineers or builders undertaking the public works. Property owners make their payments directly to the bank or, in some cases, to the municipality.

The program has achieved impressive results. Between 2000 and 2003, more than 700 engineers were retained to deliver works valued at about US\$21 million. Over 90 km of urban roads/streets (158,000 m<sup>2</sup>) have been paved and serviced with infrastructure. Additional projects totaling US\$18 million are planned for 2004. The impact of the program on property values is dramatic. A house originally valued at US\$20,000 could sell for US\$35,000 following an investment of US\$1,500 in public works. This valorization accounts for the enthusiasm of property owners and the long lists of applicants.

The benefits for the city are clear: not only is the quality of the urban environment enhanced as homeowners invest in their properties and neighborhoods, but the sheer visibility of the public works contribute to sustain the mayor's popularity. The municipality does not incur any outlays as the management fee charged seems to cover its cost while the increase in revenue generated by property taxes collected on the valorized property will make a significant contribution to the municipality's finances. Assessments are updated every 5 years, roughly corresponding to the time it takes a family to repay the public works. However, running such a program requires excellent managerial capacities and Cuenca municipality has assembled a dedicated and enthusiastic team having the needed capabilities.

#### 4.3.2 Participatory budgeting in rural parishes

Cuenca Municipality has been experimenting with decentralization in the 21 rural parishes of the canton. Since 2000, a share of the municipal budget is transferred to these poorer areas to fund capital improvements. Parishioner committees comprising five elected members prioritize the projects to be executed during each budget cycle with the rural communities. The projects selected are mainly public works such as sports and community facilities, access roads, wells and electric power supply. Since 2000, around US\$5 million have been transferred to the parishes. The communities have matched these transfers on a 1:1 basis. Participation is high and reaches 100% in some communities. In the rural parishes most affected by migration, 70 to 80% of the families have at least one member in a foreign country. Migrants contribute funds or construction materials. Their participation helps maintain ties to their communities of origin, reactivates traditional bonds and social relations and recognizes the value of the "international family" to the community at large. (See [Figure 5](#) in the Annexes)

Community representatives noted that the participatory budget has opened up opportunities for the inclusion of migrants' children in the execution of public works. Participation provides them with a space for socialization which they can no longer find within their dispersed families. Sometimes, members of a youth gang join in helping on the public works. In these cases, the perception the community has of them changes and they become identified as positive elements. The sport facilities financed by the municipality also contribute to social inclusion. Alcoholism and gangs reflect in part the lack of leisure activities available in the parish for those having some pocket money and looking for another way of life. Traditionally, sports generate social and

community recognition and cohesion. The new sport facilities financed by the Municipality have opened up an important space for social inclusion of male and female youngsters alike.

Local economic development is key to alleviating the hardships endured by households who do not receive remittances.

The municipality, with the support of UMP is encouraging families not to limit their priorities to infrastructure works but demand resources to finance community economic activities and is developing a Strategic Investment Plan funded in part by the Cities Alliance.

#### **4.4 Recent urban development patterns**

As more Ecuadorians leave for the US and Spain, Cuenca will become an increasingly multicultural and multiethnic city in the Andean region where Ecuadorian, Colombian, Peruvian and perhaps Bolivian communities will live and work. A long term vision and a strategic plan to address the needs of a city with around 50,000 foreigners have yet to be formulated. Preventing “ghetto” formation is imperative in a city that has so far been able to avoid spatial segregation.

Cuenca’s physical structure is characterized by three major components:

- The “consolidated” urban area where mutually reinforcing micro-projects are improving the urban environment. Paved and serviced neighborhoods are allowing an increase in densities and property values in the city, as well as the infill of vacant lots. The urbanized area is expanding towards Ricaurte which can now be considered part of Cuenca’s urbanized zone.
- The Historic center with its invaluable architectural, urbanistic and cultural heritage that have earned Cuenca international recognition as a World Heritage city attracting foreign and national tourists. The marked increase in the number of poor households particularly migrants and street vendors and the conversion of “conventillos” into tenements have resulted in rapid dilapidation in various parts of the center. New approaches are needed to safeguard and preserve Cuenca’s cultural assets. The development of touristic facilities and infrastructure should be supplemented by a concerted effort to arrest the progressive deterioration of the historic urban fabric. Involving all stakeholders in the preparation of an action plan to transform “conventillos” into decent low cost accommodations and to address the needs of floating and immigrant populations is a first step in this direction.
- The rural parishes within the first belt road and the small urbanizing centers on the fringe will continue to grow and the Municipality intends to rezone these areas as urban zones thereby allowing them to benefit from the “Improve your Neighborhood” program. Channeling of funds to rural communities through the participatory budget will foster the transformation of these parishes into development nodes. However, the uncontrolled proliferation of new housing funded by the remittances is endangering the environmental sustainability and the scenic beauty of the region. There is an urgent need for adequate planning and the formulation of enforceable environmental regulations.

As he reflects on the future of Cuenca, the mayor notes that the concept of “diffuse city” or “discontinuous city” is the spatial dimension conducive to promoting a multicultural perspective and respecting the urban identity of Cuenca’s different components. This spatial configuration provides the integrative setting needed to build a truly “inclusionary city”.

## **5 CONCLUDING REMARKS**

Migratory movements are creating a complex web of interlinked economic and social processes with overlays of different primary and secondary flows and patterns in the same geographic space. From a social perspective these processes have introduced new parameters of social inclusion and exclusion in urban areas with large migrant and floating populations.

In Latin America migration has come to be viewed as the best avenue for improving living conditions and upward mobility. Households are willing to deplete savings, sell assets and contract debt in order to finance migration of one or more of their members.

State and municipal governments have understood the contribution that migratory movements can make to the local economy. They are devising strategies and methods to attract remittances and capture a share to finance development projects and some are becoming increasingly adept at it. However, the focus on these joint projects should not obscure the need to address the plight of poorer populations, who can neither participate in, nor benefit from, migration. Poverty alleviation strategies and action plans in Latin America and the Caribbean should address the plight of the groups most affected by migration, namely: families unable to finance migration of some of their members; families with members abroad but who no longer receiving remittances; and immigrants from neighboring countries.

In the case of Cuenca, disparities among the poorer strata of the population have increased sharply. The income gap and social distance between those households who manage to send a member abroad and those who are unable to do so have widened markedly. This social fragmentation is in turn reflected in changes in the dynamics of urban growth and development, altering the fabric of neighborhoods and the spatial incidence of poverty and exclusion. The influx of Peruvians and transients is adding overlays of complexity to these dynamics.

Assessing the multidimensional impacts of migration requires setting up a system to monitor change in the regions and towns that are experiencing out migration and the urban areas that attract floating and transient populations. The use of remittances has to be traced and their impact on local real estate markets and cost of living assessed in order to fully address issues of poverty and their spatial manifestations. Similarly, the social impacts of migration should be monitored and assessed in order to address the social and spatial dimension of these new patterns of exclusion. This is critical to the formulation of public policies addressing the challenges of poverty alleviation and social inclusion and to the assessment of their performance. As local governments seek to attract remittances to finance economic and social development projects, monitoring these changes becomes an important component of urban planning and management, and a fundamental input shaping policies, strategies and action plans.

## 6 NOTES

<sup>1</sup> Quoted in *Social Development*. IADB, August 2003. <http://www.iadb.org/sds/soc>

<sup>2</sup> *Sending Money Home: An International Comparison of Remittance Markets*. Multilateral Investment Fund of the Inter-American Development Bank, February 2003.

<sup>3</sup> Hinojosa Ojeda, R. *The Theory and Practice of Regional Integration: Trans-Atlantic Lessons for the New World*. Inter-American Development Bank, March 2003.

<sup>4</sup> *Remittance Senders and Receivers: Tracking the Transnational Channels* p. 7. The Pew Hispanic Center, Fondo Multilateral de Inversiones, Banco Inter-Americano de Desarrollo, Washington D.C. November 24, 2003.

<sup>5</sup> *Sending Money Home: An International Comparison of Remittance Markets*. Multilateral Investment Fund of the Inter-American Development Bank, February 2003.

<sup>6</sup> Quoted in: Orozco, M. *Globalization and Migration: The impact of the Family remittances in Latin America*. July 2001.

<sup>7</sup> *Remittances to Latin America and the Caribbean*, Multilateral Investment Fund and Inter-American Development Bank, February 2002.

<sup>8</sup> Orozco, M. *Globalization and Migration: The impact of the Family remittances in Latin America*. July 2001.

<sup>9</sup> Solimano, A. *Workers Remittances to the Andean Region: Mechanisms, Costs and Development Impact*, p. 41. Paper for the Multilateral Investment Fund-IDB's Conference on Remittances and Development, May 2003, Quito-Ecuador. (Amounts at 1990 Geary-Khamis dollars).

<sup>10</sup> Banco Central del Ecuador, Dirección General de Estudios. *Las remesas de ecuatorianos en el exterior*, p.11. Cuadernos de Trabajo. No. 130. Agosto 2001.

<sup>11</sup> "Causas del reciente proceso emigratorio ecuatoriano", p.3. In *Cartillas sobre la Migración, Plan Binacional Ecuador-España "Migración, Comunicación Desarrollo*. Enero 2003, N.3, ILDIS-FES, Quito.

<sup>12</sup> Banco Central del Ecuador, Dirección General de Estudios. *Las remesas de ecuatorianos en el exterior*, p.11. Cuadernos de Trabajo. No. 130. Agosto 2001.

<sup>13</sup> Banco Central del Ecuador, Dirección General de Estudios. *Las remesas de ecuatorianos en el exterior*, p.16. Cuadernos de Trabajo. No. 130. Agosto 2001.

<sup>14</sup> "Las remesas de los emigrantes y sus efectos en la economía Ecuatoriana", p. 3. In: *Cartillas sobre la Migración, Plan Binacional Ecuador-España "Migración, Comunicación Desarrollo"*, Mayo 2002, N.1, ILDIS-FES, Quito.

<sup>15</sup> *Las remesas de emigrantes entre España y Latinoamérica*. Report financed by the IDB, November 2002.

<sup>16</sup> *Receptores de Remesas en Ecuador. Una Investigación del Mercado* p. 4. The Pew Hispanic Center, Fondo Multilateral de Inversiones, Banco Inter-Americano de Desarrollo, Quito, Ecuador, Mayo 2003.

<sup>17</sup> Solimano, A. *Workers Remittances to the Andean Region: Mechanisms, Costs and Development Impact*, p. 15. Paper for the Multilateral Investment Fund-IDB's Conference on Remittances and Development, May 2003, Quito-Ecuador. (Amounts at 1990 Geary-Khamis dollars).

<sup>18</sup> *Receptores de Remesas en Ecuador. Una Investigación del Mercado* p. 4. The Pew Hispanic Center, Fondo Multilateral de Inversiones, Banco Inter-Americano de Desarrollo, Quito, Ecuador, Mayo 2003.

<sup>19</sup> *Receptores de Remesas en Ecuador. Una Investigación del Mercado* p. 8. The Pew Hispanic Center, Fondo Multilateral de Inversiones, Banco Inter-Americano de Desarrollo, Quito, Ecuador, Mayo 2003.

<sup>20</sup> Banco Central del Ecuador, Dirección General de Estudios. *Las remesas de ecuatorianos en el exterior*. Cuadernos de Trabajo. No. 130. Agosto 2001.

<sup>21</sup> Cities Alliance, PGU, Alcaldía Municipal de Cuenca y ACUDIR, *Plan Estratégico de Inversiones para el Desarrollo Local de la Ciudad de Cuenca*, Julio 2001.

7 ANNEXES

**Figure 1**



*Photo: Yves Cabannes*

**Figure 2**



*Photo: UMP - LAC*

**Figure 3**

Year	Built m <sup>2</sup>	Annual variation	# of Building permits
2001	510,895		
2002	522,842	+ 2%	1,713
2003	505,327	- 3.4 %	1,686

*Source: Municipalidad de Cuenca, Colegio de Arquitectos y Cámara de la Construcción.*

**Figure 4**



*“Improve your Neighborhood” program public works. Photo: Yves Cabannes*

**Figure 5**



*Community participation (Minga) in a Parishioner Committee of the Cuenca Canton. Retaining wall financed through the Participatory Budget. Photo: Parishioner Committee*

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## 9 LIST OF ABBREVIATIONS

<b>CBO</b>	Community Based Organization
<b>ECLAC</b>	Economic Commission for Latin America and the Caribbean
<b>FOMIN</b>	Multilateral Investment Fund at the Inter-American Development Bank
<b>GDP</b>	Gross Domestic Product
<b>IADB</b>	Interamerican Development Bank
<b>IMF</b>	International Monetary Fund
<b>LAC</b>	Latin American Countries
<b>MENA</b>	Middle East North Africa
<b>NAFTA</b>	North American Free Trade Agreement
<b>PHC</b>	Pew Hispanic Center
<b>UMP</b>	Urban Management Program