

# A View from the Inside: Grounding the Remittance-Development Link

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## ABSTRACT

Research on the remittance-development link and policies for leveraging remittances for development have led to polarization and have obscured vital nuances in the relationship. One school of thought has adopted an overly optimistic view, placing an exaggerated emphasis on maximizing remittances as viable development tools. The other has assumed an overly pessimistic position, dismissing remittances as economic crutches and ephemeral solutions to poverty. Researchers have typically utilized quantitative methods that provide detached analyses. Against that backdrop, this article uses evidence from one Salvadoran municipality to provide an in-depth view of the remittance-development link at the local level, and it proposes four scenarios in which it manifests. Findings counter overly simplistic and polarized depictions in the literature and expose how those who live the remittance-development link perceive and experience it first hand in their households and communities. This article draws conclusions about the development potential of family versus collective remittances, as well as the importance of a balanced understanding of remittance-driven development that must be considered when furthering research and formulating policy.

*Keywords:* 1. local development, 2. remittances, 3. hometown associations, 4. remittance-development link, 5. El Salvador.

## RESUMEN

La investigación y las políticas en torno al vínculo entre remesas y desarrollo han polarizado esta relación y, por ende, oscurecido importantes matices. Una corriente de opinión ha adoptado una posición optimista que destaca el potencial de las remesas como herramientas viables para el desarrollo. La otra, sin embargo, ha asumido una posición demasiado pesimista que rechaza las remesas por considerarlas un paliativo temporal a la pobreza y un impedimento para el desarrollo económico y social a largo plazo. Este artículo utiliza evidencia obtenida a través de estudios etnográficos y entrevistas en una municipalidad de El Salvador. Estos hallazgos contrarrestan las representaciones polarizadas y nos ofrecen un panorama detallado de los vínculos entre remesas y desarrollo local desde el punto de vista de quienes viven esta realidad en sus hogares y comunidades. Las conclusiones destacan el potencial de las remesas familiares *versus* las remesas colectivas en el contexto del desarrollo local, así como la importancia de contar con un entendimiento equilibrado al realizar investigaciones y formular políticas en esta materia.

*Palabras clave:* 1. desarrollo local, 2. remesas, 3. comités de oriundos, 4. remittance-development link, 5. El Salvador.

## *Introduction*

At the simplest level, remittances are evidence of the deep emotional bonds and commitments toward family members and communities, which exist despite distance and borders. However, remittances are also representative of complex changes in development agendas and mechanisms. Although hardly a new phenomenon, the sending of family remittances has surged in recent years and the volume of money sent has expanded exponentially. Globalization has also facilitated a transformation in the nature of remittances. Operating through dense transnational networks, remittances have transcended the familial realm to assume a collective dimension through the contributions of migrant hometown associations (HTAs). Thus, this article is situated at the heart of a critical phase in Latin American development, where we must consider important issues concerning new actors, practices, and prospects.

As remittances reached unprecedented scales in the last few years and as migrant diasporas began to engage actively and collectively as agents of development, both gained prominence among academics and policy makers as potential development tools. Extensive research and pilot projects on the remittance-development link continue to unravel this complex relationship. This article argues, however, that previous research and policy polarized the relationship and have consequently obscured vital nuances. One school of thought adopts an overly optimistic view and places exaggerated emphasis on remittances as viable and effective tools for development. This literature has been preoccupied with exploring how to “maximize” remittances’ development potential. It highlights the positive development outcomes of remittances, while typically understating the negative effects. The second school of thought assumes an overly pessimistic position. This literature stresses remittances’ social and economic costs, such as dependence, lack of productivity, increased inequality, and family disintegration. It regards remittances as primarily a crutch for household and national economies, dismissing their development value as ephemeral at best. Moreover, in general, the literature on

the remittance-development link has typically utilized quantitative methods that provide detached analyses. Existing ethnographies provide rich accounts of the effects of remittances at the local level, but they tend to focus primarily on transnational cultural implications and do not examine the remittance-development link *per se*.

In order to fill these voids in the literature, this article aims to ground our understanding of the remittance-development link by presenting a view from the inside. In one Salvadoran municipality, Intipucá, residents who live the reality of the remittance-development link assess how their households and communities have changed, both positively and negatively, as a result of these cash inflows. This article uses ethnographic and interview data to offer two key contributions to the literature. First, it exposes the complexities and nuances of the development effects of remittances and proposes four scenarios in which this link may manifest. This balanced analysis offsets overly simplistic and polarized depictions in the literature and policy, which portray remittances as either a panacea or calamity for development. Second, this article presents an anchored analysis of how remittances are actually influencing development at the local level, and it contributes a vivid understanding of how the remittance-development link is perceived and experienced by those who live it first hand in their households and communities. This grounded interpretation counters quantitative studies that position themselves from the outside looking in and so reveal out-of-focus images of local reality.

### *Remittances and Local Development in El Salvador*

El Salvador has been the recipient of a large volume of remittances, and the country has deliberately channeled that money into development agendas. Migration and remittances have seemingly become a “new development mantra” and a national development strategy (Kapur, 2003:1; Gammage, 2006). During their peak in 2006, family remittances to El Salvador reached about \$3 billion, or 16 percent of the country’s gross domestic product, up from 10

percent in the early 1990s (Gammage, 2006:75; Williams, 2006). Approximately 28 percent of adults in El Salvador receive family remittances, and typically, an additional three to four individuals directly benefit from the money (Suro, 2003:3). Moreover, as of 2004, El Salvador had received over US\$15 million in collective remittances (Paul and Gammage, 2004:13). Aware of remittances' potential for alleviating poverty, the Salvadoran government has worked to channel this money into productive development objectives. For example, regarding family remittances, the government has collaborated with the financial sector to decrease transfer costs and to facilitate increased flows, especially to rural areas. In addition, concerning collective remittances, it has engaged migrant diasporas in competitive programs through which the government matches HTAs' contributions towards social development and infrastructure projects. In the program's first four years, between 2000 and 2004, the government co-funded more than 45 projects, with over US\$2.1 million contributed by HTAs and matched with over US\$6.9 million from the government (Orozco, 2004a:45).

Intipucá is a small rural municipality located approximately 170 kilometers east of the capital, in the southern tip of the department of La Unión. It has taken a particularly decisive route in its course toward development, one designed by members of its own community and paved with migrant struggles, local initiatives, and transnational collaboration. Unlike other municipalities whose migration wave was a result of the civil war in the 1980s, this remote municipality's history of migration and remittances dates back to the 1960s. Thus, it serves as an ideal case for studying remittances' long-term development effects. Over the past three decades, the massive outflow of residents to Washington, D. C., and the even greater inflow of money have changed the face of Intipucá. Its HTA, the Fundación Unidos por Intipucá (FUPI), has a particularly successful record of channeling collective remittances into development projects.<sup>1</sup> FUPI successfully invested

<sup>1</sup>Despite FUPI's successful track record, it was defunct as of spring 2007. The data presented in this article reflect FUPI's activities and popularity when the fieldwork was conducted in summer 2003.

hundreds of thousands of dollars in collective remittances into essential infrastructure and social programs. It has maximized its capacity and resources by accessing matching-funds programs and establishing fruitful collaborative partnerships with the state, the municipal government, and the local community.

Intipucá's development story is well known, as it is not uncommon to find news articles profiling the municipality in both Salvadoran and Washington newspapers. Some press releases and news articles herald the municipality as "a model of development" because of the integration of family and collective remittances into household and municipal development strategies. Others, however, underscore the negative development outcomes that have accompanied the influx of dollars. Thus, the question of whether or not remittances have engendered development in Intipucá remains a contested and highly debated issue. Employing ethnographic and interview data, this article examines whether remittances have turned Intipucá into a "model of development."<sup>2</sup> Findings illuminate the effects of the remittance-development link at the local level and serve as a lens through which to understand the relationship through the eyes of individual and community recipients who experience it first hand. This article exposes both the development benefits and shortcomings that have resulted from the integration of family and collective remittances into Intipucá's household and municipal development strategies. Through that, it reaches balanced conclusions about the nuanced effects of the remittance-development link.

#### *Four Scenarios: Local Manifestations of The Remittance-Development Link*

At the macro level, experts have touted remittances as stable financial flows that supplement national savings and strengthen the balance of payments. They represent a larger share of a country's

<sup>2</sup>Empirical evidence was collected from 64 interviews with migrants and residents of Intipucá, as well as with remittance-development experts in Washington, D. C., and San Salvador.

annual gross domestic product and foreign exchange reserves *vis-à-vis* overseas development aid and, for some remittance-receiving countries, foreign direct investment (Solimano, 2003; Terry, Wilson, and de Vasconcelos, 2005; Brown, 2006). Moreover, remittances are counter-cyclical in character, and the size and regularity of remittance payments tend to hold up relatively well even when other external financial flows decline during economic downturns (Orozco, 2004b; IADB, 2004; IMF, 2005; Ratha, 2007). However, the literature on the remittance-development link is inconclusive. For every piece of evidence that remittances are a positive developmental force, another set of findings reveal remittances' shortcomings for development. Moreover, macro analyses are detached from local realities where family and collective remittances have complex and nuanced effects on development. Thus, this literature review homes in on the debate at the local level and structures the discussion around four scenarios (table 1), which capture a range of possible manifestations of the remittance-development link. The scenarios show the various ways in which family and collective remittances may contribute to or detract from economic and social development at the local level. They range from the worst case to the best case and are neither mutually exclusive nor exhaustive. As shall be reviewed later, empirical evidence reveals that the case of Intipucá does not strictly follow any one of these four scenarios. On the contrary, Intipucá to some degree exhibits a combination of the various elements of all four, as it displays nuanced positive and negative development characteristics.

In the Scenario 1, the worst case, the remittance "euphoria" is unjustified and remittances are not shortcuts to solving development problems. Unattractive investment climates prevent the development potential of migration and remittances from being fully realized (De Haas, 2005:9, 2006). People spend remittances on daily household expenses, such as food, rent, and utilities, leaving little surplus for savings or investment in financial or human capital (Brown, 2006). In El Salvador, 84 percent of remittances go towards households' basic expenditures (Bendixen and St. Onge, 2005:44).

Table 1. Four Scenarios of the Remittance-Development Link

Scenarios	Positive development effects of remittances	Negative development effects of remittances
Scenario num. 1	None	<ul style="list-style-type: none"> <li>• Only consumed and not invested in financial or human capital.</li> <li>• Economic growth and employment are not stimulated.</li> <li>• Growing inflation and rising prices.</li> <li>• Increased dependence on remittances.</li> <li>• Increased inequality.</li> <li>• <i>Moral hazard</i>; recipients neglect work and study.</li> <li>• Perpetuation of a <i>culture of migration</i>.</li> <li>• Migrants transmit negative social practices.</li> <li>• Family disintegration.</li> </ul>
Scenario num. 2 (the counterfactual)	<ul style="list-style-type: none"> <li>• Reduced poverty and improved standard of living.</li> <li>• Increased access to basic necessities (food and shelter).</li> <li>• Increased access to education and health care.</li> <li>• Increased opportunities.</li> </ul>	See scenario num. 1
Scenario num. 3	<ul style="list-style-type: none"> <li>• Investment, not just consumption.</li> <li>• Economic growth and employment is stimulated.</li> <li>• Curbed inflation.</li> <li>• Decreased dependency on remittances.</li> <li>• Investment in education and work.</li> <li>• Youth do not see migration as a necessity.</li> <li>• Migrants transmit positive social practices.</li> <li>• Migrants reengage positively with the hometown community and form HTAS.</li> </ul>	<ul style="list-style-type: none"> <li>• HTAS constitute a new elite, which aggravates inequality and social cleavages.</li> <li>• The state neglects its development responsibilities.</li> </ul>
Scenario num. 4	<p>See scenario num. 3</p> <ul style="list-style-type: none"> <li>• Also includes collaborative partnerships between HTAS, the State, and community.</li> </ul>	None

Source: Prepared by the author based on original research.

Some critics allege that money is also spent on conspicuous goods, such as luxury clothing, electronics, and other imports introduced to recipients through their transnational connections. If people spend most of the money on consumption, as is the case in much of El Salvador, the multiplier effect for stimulating the local economy and generating employment is minimal (Gammage, 2006). Moreover, in Scenario 1, remittances' inflationary effects on the local economy raise the price of goods, services, and real estate (Cortés, 1999; UNDP, 2005b). People who daily experience the effects of remittances in their households or communities are constantly burdened with trying to meet rising prices. For example, in one community in La Unión, prices for newly constructed houses with U.S.-style amenities range from US\$39 000 to US\$93 000. Consequently, 75 percent of buyers are migrants, as local residents cannot afford such high prices (Aizenman, 2006).

Simultaneously, in this scenario, remittances do not reach the neediest and are generally lowest among the very poor (Adams and Page, 2003). Thus, the inequality gap between those who receive remittances and those who do not widens, producing deep social cleavages (Adams, 1989; Barham and Boucher, 1998; Solimano, 2003). In addition, in Scenario 1, remittances achieve such importance that they are no longer regarded as a source of "extra" income but become part of the household's primary revenues. Thus, remittances create a vicious cycle of dependency fueled by the need for continued and ever-greater installments in order to meet inflated prices and a consumer lifestyle. This dependence carries a "moral hazard," because recipients may opt to stop working or studying as money arrives, seemingly effortlessly, from abroad (Chami, Fullenkamp, and Jahjah, 2005:60-63).

Furthermore, in Scenario 1, migration has negative social effects on local development that are distinct from, but reinforced by, remittance patterns (López-Cordova and Olmedo, 2006). Migration and the very money that has increased material wealth in the short term gradually undermine long-term prospects for development (Kapur, 2003). For example, remittances bring more wealth to local communities, but economic opportunities

for those left behind do not accompany that. Consequently, this fuels further migration, draining local economies of their most valuable, able-bodied workforce, especially skilled workers and women, who have decreased incentives to seek employment outside the home (Funkhouser, 1992; Hanson, 2007). In addition, a poor outlook for effective employment lowers incentives to accumulate human capital in the first place (Easterly, 2002). As a result, youth neglect school and instead set their sights on migration as a viable career path. This “culture of migration” poses a paradoxical relationship in that migration has resulted in a raised standard of living, but nonmigrants have become so dependent on the money, ideas, and values imported from abroad that future generations must continue to migrate in order to sustain the desired way of life (Levitt, 2001).

Furthermore, at the community level in Scenario 1, migrants transmit negative “social remittances” and bring back values and practices that beget social ills. For example, deported criminals may bring back negative influences, such as gang activity and drug use. Return migrants may also be elderly or otherwise unable to engage in economic activity or transferring of skills. Finally, in this worst-case scenario, mass migration causes family disintegration and rising rates of juvenile delinquency, as children and parents are typically separated for extended periods of time (Andrade-Ekhoff and Silva-Avalos, 2003).

Scenario 2 assumes the counterfactual to Scenario 1. Scenario 2 acknowledges that the receiving community would be in a worse situation had people not migrated and had money not been remitted. In fact, evidence finds that remittances reduce the depth and severity of poverty, although the impact may be small (Adams, 2004; Adams and Page, 2005; López-Córdova, 2006; Acosta *et al.*, 2007; Ratha, 2007). At the very least, remittances have resulted in an improved standard of living, which prevents many families from slipping further into poverty and allows them to live more comfortably with improved access to food, shelter, and other fundamental needs. For example, data from El Salvador suggest that poverty rates have fallen as remittances have risen.

In urban areas, 76 percent of remittance-receiving households fall above the national poverty line. The corresponding figure for households that do not receive remittances is 69 percent. Similarly, in rural areas, 71 percent of remittance-receiving households have per capita incomes that fall above the national poverty line. For rural households without remittances, only 52 percent are defined as nonpoor (UNDP, 2005a:18).

Scenario 3 describes a situation that is greatly improved in comparison to those presented in Scenarios 1 and 2. In Scenario 3, family remittances stimulate the local economy and generate production and employment, thereby curbing inflation and exorbitant prices. Instead of being used primarily for consumption, family remittances are channeled into productive investments as they help investors overcome credit-market failures and accumulate capital to start businesses (Massey and Parrado, 1998; Ratha, 2007; Woodruff and Zenteno, 2007). Remittances are also invested in the housing market, which in turn generates employment in the construction sector (Parrado, 2004; López-Cordova and Olmedo, 2006). Moreover, in this scenario, remittances reach all sectors of society and ameliorate inequality levels and household-income distribution (Stark, Taylor, and Yitzhaki, 1986; Taylor, 1992; Taylor *et al.*, 2005; Acosta *et al.*, 2007). In addition, remittances are invested in human capital. In terms of healthcare, Hildebrant and McKenzie (2005) find that children in migrant households have lower mortality rates and higher birth weights due to remittances and the increased spread of information by migrants. In terms of education, remittances relax income constraints, allowing parents to finance their children's education. For example, in El Salvador, Cox Edwards and Ureta (2003) find that remittances positively impact school retention in both urban and rural areas. Thus, in Scenario 3, dependence and moral hazard are lessened. Education and work, rather than a culture of migration, are valorized as a means to achieve greater personal, professional, and financial success.

Scenario 3 proposes dynamism among those who stay behind, especially among the youth, giving them a reason not to migrate

and to instead contribute to the economic and social development of their hometown. Moreover, this third scenario describes a situation in which migrants not only benefit individuals through family remittances but also constructively reengage with their hometowns. For example, migrants would bring positive values and practices to the community rather than introducing social ills. More importantly, however, in this scenario, migrants actively contribute to the development of the hometown by financing investments through HTAs and collective remittances. In contrast to family remittances, collective remittances take on a communal and civic dimension. In this scenario, community remittances provide vital economic and social aid and sponsor wealth-generating projects in order to strengthen the economic base of the hometown. HTAs also use collective remittances to support cultural projects, such as sponsoring festivals, which are critical for strengthening community solidarity and identity. Collective remittances typically amount to US\$10 000 per project. Although annual monetary contributions through collective remittances are significantly less than their family counterparts, their aggregate value should not be overlooked. For example, in 2002, Mexican HTAs contributed approximately US\$11 million to government development programs in their hometowns. In some Mexican communities, these donations represent over 20 percent of municipal annual budgets for public works (IADB, 2006). Orozco (2003) argues that HTA projects have a more direct and immediate effect on development than do family remittances. The equitable distribution of benefits from collective remittances also offset disparities between those who receive and those who do not receive family remittances.

However, despite the ameliorated development conditions proposed in Scenario 3, hometown associations may also serve as negative development agents. They can aggravate inequality because migrants can constitute a new elite and use collective remittances to attain social and political status within the community (Landolt, Autler, and Baires, 1999; Goldring, 2004). Moreover, HTA ties with the community can dissolve because social capital ero-

des as migrants face competing obligations in their host country or because the HTA's interests conflict with those of hometown residents, who prefer to invest in projects that address their own development needs rather than projects that facilitate migrants' return at retirement or for vacations (Portes and Landolt, 2000; Levitt, 2001). In addition, a serious concern is that HTAs and collective remittances let the state shirk its responsibilities under an assumption that migrants will provide for the community's development needs (Goldring, 2002).

Finally, the best-case scenario, Scenario 4, includes the same components of Scenario 3, but it also incorporates another crucial element: the creation of a partnership between the HTA, the state, and the community. In Scenario 4, HTAs form collaborative partnerships with the government, NGOs, and development agencies, such as those forged through the Salvadoran government's matching-funds scheme (Lowell and de la Garza, 2000; Orozco, 2003; UNDP, 2005b; Portes, Escobar, and Radford, 2007). HTAs act as equal partners and retain autonomy while also benefiting from the state's financial resources and its technical expertise. HTAs can also use these partnerships to pressure unresponsive state officials and ensure that the state does not neglect its development responsibilities in the community (Fox and Bada, 2008). In addition, in Scenario 4, HTAs engage their communities in decision making, thereby empowering residents in matters of local governance and development processes. The formal institutionalization of HTA-state-community partnerships makes the positive development effects of collective remittances more permanent.

### *Bienvenidos a Intipucá, Welcome to Intipucá City*

The sign at the entrance of the municipality reads, "Bienvenidos a Intipucá, Welcome to Intipucá City," and once inside the municipality another sign cautions, "Keep Our City Clean and Beauty [*sic*]. Thanks." A six-foot replica of the Statue of Liberty, adorning one resident's garden, is yet another indelible cultural manifestation of migration in the municipality. One local *campesino*

explains that “the vocabulary is different... Now they say words like ‘oh,’ ‘okay,’ and ‘bye-bye.’ Also, the way they dress is different. When my sons come, they wear shirts that look different from the ones I wear, pants that are different from mine, some are baggy, others are straight legs.” Perhaps one of the most striking changes in Intipucá is a product of migrants’ family remittances, notably visible in the newly built, large homes sparing no modern comfort or amenity. Moreover, the newly constructed soccer stadium and the stretches of paved roadways are evidence of the investment of collective remittances. However, although remittances flow to nearly all sectors of the municipality, overt displays of wealth are limited to its urban center. *Caseríos*, small jurisdictions surrounding that urban center, do not enjoy the same luxuries, and some their residents still live in abject poverty.

In general, few people are spotted in this small rural municipality and those who are seen are usually elderly or children. There are few businesses, there is little commercial activity, and only an occasional car or public bus drives through the city. According to one journalist, “The streets have the lazy, empty feel of a permanent holiday” (González, 2001). Intipucá is, in fact, sparsely populated. In the early 1990s, approximately 70 to 80 percent of the municipal population was believed to be living in the United States (Salinas, 1991). Estimates placed the town’s residents at 12 000 people in 2003, but by 2009, El Salvador’s Ministerio de Salud (Health Ministry) estimated that the population had decreased to 7 567. Large remittance flows that accompanied high emigration earned Intipucá its reputation as “the city of the dollar” even before national dollarization in 2000. One estimate indicates that between 1990 and 1991, the municipality received somewhere in the range of US\$150 000 to US\$175 000 in family remittances (Salinas, 1991). A 2005 study reported that 22 percent of its households receive remittances (UNDP, 2005a:7). Family remittances also increase during special holidays, such as the *fiestas patronales*, Christmas, and Mother’s Day (Salinas, 1991).

Collective remittances, on the other hand, began to flow into the municipality in 1986 with the formation of the Fundación

Unidos por Intipucá (United for Intipucá Foundation, FUPI). FUPI originally aimed to extend a philanthropic hand beyond individual families and to reach out to the hometown as a whole by assisting with basic needs and small projects, such as church repairs. However, FUPI grew to be regarded as one of El Salvador's best-organized HTAs. With an internal organization that was similar to many other HTAs, FUPI operated through two executive committees, one based in Washington and one in Intipucá. The 15 or so board members held various positions, including president, vice-president, treasurer, and secretary, and FUPI also counted on the support of numerous collaborators. Migrants in Washington identified needs in the hometown during visits or through direct solicitation from hometown residents. However, board members, exclusively, selected the projects. Once a project was identified, residents in Washington planned and raised funds, while board members in Intipucá were responsible for overseeing implementation and keeping their Washington counterparts informed. After establishing a base of support within the community, United for Intipucá Foundation also began to maximize its efforts and resources by working in conjunction with the *alcaldía* (municipal offices) and national government agencies that sponsor matching funds programs.

### *Is Intipucá a Model of Development?*

As revealed through ethnography and interviews, Intipucáños are very conscious of the presence of “development,” “projects,” and “collaboration” in their municipality that are a direct result of the integration of family and collective remittances. The ubiquitous presence of domestic and foreign engineers, contractors, and city planners who are in the municipality overseeing construction sites and casting their eyes on vast stretches of virgin beach and terrain also serve as constant reminders that Intipucá is a municipality undergoing change. In general, interviews reveal that most residents welcome municipal development initiatives. They envision that Intipucá in ten years will be “bigger,” “more

modern,” “prettier,” and “more developed.” The value of this development work was continuously reinforced by the *alcaldía* and FUPI through community pamphlets, “We were capable of overcoming all barriers... Now Intipucá is different because we found the road to progress. We are conscious that we have to try even harder, but we will succeed with more and more work, as we have done so far” (Programa de Fiestas Patronales de Intipucá, 2003). Moreover, the *alcaldía* does not depict migration or remittances as neutral. Rather, in an effort to forge bonds with migrants, migration is glamorized and migrants enjoy an elevated status in the community, because they “...have contributed much to achieve the levels of development that Intipucá enjoys today” (Programa de Fiestas Patronales de Intipucá, 2003). Another municipal document profusely thanks local *coyotes* (migrant smugglers) for their “audacity, valor, and courage” (*Monografía de Intipucá*, 1999). Consequently, the government communicates the message that migration, even when illegal, is a constructive path to individual and community success. However, Intipucá’s development is a contested issue, as not everyone is convinced by the “progress.” When Intipucaqueños were asked directly whether they consider their municipality to be a model of development as a result of remittances, interviewees’ answers varied widely. Some claimed that other municipalities should imitate Intipucá’s model. Others argued that Intipucá has developed either economically or socially, but not in both areas. Still others believed that economic stagnation and social ills plagued Intipucá. For example, one local priest commented, “There are no sources of employment. People do not aspire to study. Three percent of the population of Intipucá is professional. The houses have improved, but people live from what they receive. Is that development?”

Thus, the following sections tackle the debate over whether remittances have or have not rendered Intipucá a model of development. Ethnographic and interview data uncover nuanced complexities of the remittance-development link and how the development effects of family and collective remittances are experienced through the eyes of recipients.

### *The Local Development Effects of Family Remittances*

Family remittances have undoubtedly brought some improvements to Intipucá. These have come, however, at great costs. As stated in Scenario 2, had people not migrated and not remitted money, Intipucá's residents today would have fewer opportunities than they currently have. Family remittances have raised the standard of living in Intipucá and given recipients greater access to basic necessities. One interviewee noted,

The standard of living has definitely improved in Intipucá due to remittances. We have more money to improve our houses and to buy the things we need. Everything is more modern and more beautiful. Definitely, the standard of living has improved. In general, there are more opportunities.

In particular, according to interviewees, family remittances are of the utmost importance to most of Intipucá's elderly, who worked in the agricultural and informal sectors and are not covered by a national pension plan. Moreover, as reported by the director of the municipal health center, health care has improved "dramatically" as the poorest sectors of the community are now better able to afford expensive medication, while wealthier individuals seek medical attention from private doctors in larger nearby cities.

However, in general, few interviewees heralded Intipucá as a model of economic development. In terms of the development effects of family remittances, most interviewees believed that Intipucá most closely follows Scenario 1. For example, interviews revealed that family remittances are used primarily for consumption of food and to pay for basic utilities and that the vast majority of recipients do not invest in productive activities, such as business ventures or agricultural production. Investments in home remodeling are common, but this generates an increased demand for supplies and labor that is only sporadic. Thus, again as seen in Scenario 1, the initial multiplier effect of family re-

mittances on the local economy is minimal and generates little economic activity or opportunities for employment. One interviewee confirmed, “The municipality has become too dependent on remittances. There is no economic activity, and there is no employment. People live on the money that comes from abroad.” Moreover, family remittances have increased the inequality gap between recipients and nonrecipients, who cannot keep up with the rising prices of goods and services in Intipucá’s sluggish economy. Also as described in Scenario 1, many interviewees cited a high level of dependence and moral hazard as principal reasons preventing Intipucá from being considered a model for economic development. Many recipients have abandoned work and study, opting instead to await money from abroad. According to one woman:

The problem nowadays is that remittances have changed people’s mentality. Many young people do not want to study because their dream is to go there [United States]. Also, there are others like the bums and drunks who hang around the park, who stop working because they would rather wait for the next remittance check. It is even difficult to find someone to clean the house. The fact is that most people leave and those of us who stay behind are older and no longer able to work.

To blame Intipucá’s lack of economic productivity solely on the moral hazard of family remittances would grossly underestimate the complexity of the remittance-development link. Rather, as identified in Scenario 1, Intipucá’s lack of productivity can be attributed to its minimal labor force and the loss of entrepreneurs and leaders to migration. Those who remain behind are primarily the elderly and children, both of whom are largely unable to engage in productive economic activity, and thus, they are more dependent on family remittances. There is a clear labor shortage, particularly for men and professionals. The *alcaldía* reports that only 40 percent of the working-age population still residing in the town is engaged in economic activity, and the mayor es-

timates that half of the municipality's population is working in the United States (Maier, 2001). Ironically, Intipucqueños are a very successful entrepreneurial migrant group in Washington, as many own restaurants and other businesses. In contrast, there is not one restaurant in Intipucá.

Nevertheless, despite the above shortcomings, Intipucá's economic outlook also exhibits elements from Scenario 3. The limited economic growth that the municipality has experienced may also be attributed to the influence of migrants and family remittances. For example, transport, banking, and communication businesses—such as several wire transfer companies, an Internet café, and a travel agency—have flourished due to the increased demand for services connecting Intipucá and its migrant community. The opening of national franchises (for example, Telecom and Western Union) and a national bank branch also serve as important signifiers of growth. A small number of migrants, too, directly stimulate economic growth through investments in entrepreneurial ventures (convenience shops owned by migrants and run by their relatives), as well as through tourism during return visits. However, this growth should not be exaggerated, especially as the examples are few and do not extend beyond the municipality's urban center.

Intipucá's stagnant economic development cannot be analyzed in isolation from its social counterparts. In terms of social development, most interviewees also expressed reservations about labeling the municipality a model of development. They again believed that Intipucá adheres most closely to Scenario 1. Although greater opportunities exist due to family remittances, one interviewee noted, "The problem we have in Intipucá is that the people do not take advantage of the resources they have available. ... As a result, there is no social development." Moreover, many interviewees identified Intipucá's "culture of migration" and the outflow of future generations as one of the greatest hurdles for the future economic and social development of the municipality. One resident claimed, "The vision of the youth here is always

the dream of leaving; this is another serious situation we have here. The young people want to leave and the old people want to come back.” However, when potential future migrants were asked whether they thought their lives in Intipucá were easier or harder than the lives of their relatives in the United States, all answered that the lives of their relatives were indeed much more difficult, laborious, and unglamorous than their own in Intipucá. Yet, most still expressed a desire to emigrate and commented that the United States was a land of opportunity. One interviewee offered the following explanation:

What happens is that in the Salvadoran society, there is a fiction. It is fictitious to imagine that everything in the United States is good and that everything here in El Salvador is bad. Under those circumstances, the best alternative is to migrate to the United States where everything is fine. But that belief is something inferred because we see that our relatives there have houses with electricity 24 hours a day and access to potable water. In other words, there is a series of conditions that in some faraway corner of this country cannot be compared because their homes in the United States are made of cement or wood, look nice, clean, with access to a hospital, a school, and so forth. On the other hand, here we need to walk long distances to reach a health center where they can provide minimal health care. It is this type of comparisons that the people of our country make. And the community cannot deny it. We cannot deny a reality that is so visible. But what we lament is that we continue to generate machines or robots to carry out an activity, that neither qualifies as intellectual nor helps people to develop personally. There are many people who are over there and follow a daily routine and have denied themselves the right to pursue their dreams, some ideal or some personal project, and they give it all up, unable to accomplish it.

In addition, interviewees reported that the culture of migration has negatively affected education, as parents do little to emphasize its value. For their part, the youth perceive that the jobs Salvadorans take in the United States require a minimal educational background. Intipucá’s school director commented:

Remittances affect the mentality of the people here. People who are well off think that they no longer need an education. They are not interested in being productive, in getting an education, or in learning a trade while young. No, nothing at all. Most of the young people look forward to leaving. . . . People aspire only to earn money, and they are willing to make money at any cost, even if it means having their human rights violated, being mistreated, living without their families, risking anything at all, even their own lives, as they are prepared to die on the way.

Other interviewees confirmed that when deciding how to spend remittances, there was a lack of emphasis on education. Perhaps more worrisome for the municipality's social development is the willingness of some youth to forego educational and professional aspirations in order to work in the United States as nonprofessionals. Among the interviewed youth, none aspired to work as a professional in the United States after migration, and many said they would do whatever job it took to make a dollar. None claimed that they wanted to go to the United States to fulfill a personal dream or to have a larger goal realized. For example, one high school student spoke at length about her dream of pursuing a university degree in psychology in San Salvador and setting up a practice in Intipucá. However, when asked to describe her ideal job in the United States, she said, "I would like to be a cashier in a store." Then, when asked which option she preferred, the student answered, "Going to the United States." Moreover, there appears to be a severe disconnect in youths' perceptions of professional possibility in the United States compared to the opportunity available to them in El Salvador. For example, another high school student expressed an aspiration to pursue university studies in computer science and open the first bookstore in Intipucá. However, when asked to describe his ideal career in the United States, he hoped to be a carpenter like his brother.

Many interviewees mentioned that the development resulting from family remittances has come at a tremendous human expense. This is the reality of the remittance-development link

that can only be captured through the eyes of those who live the experience. One man recalled his first job in the United States in a restaurant kitchen. Knowing no English, he was unable to read the *danger* label before accidentally placing his hand inside the wrong vent. The fan mutilated his hand to the wrist and he had no money, no medical insurance, and no disability compensation for his recovery. However, he maintains that the price was worth it, as he believes he has achieved the American Dream. Another returned migrant who invested her earnings into one of the handful of successful businesses in Intipucá recalled how she was always made to feel invisible in the United States. She recounted, “Over there one feels pressured. One does not have one’s own life; everything you do there is for others. Things concerning your own life are put aside. You cannot do what you want to do. Here I enjoy my work.” Yet another returned migrant remembered his time in the United States like a scar that will never fade:

There are memories that do not go away with time and remain burned in your mind like something that will never be forgotten. These experiences are sometimes inhumane, where the only crime is to be an immigrant. In the case of El Salvador, immigration is part of the culture, like we are born with it. There are several reasons why we travel, but it is not because we are looking for adventure. It’s because we are looking for a brighter tomorrow, to live with a bit more and perhaps have some resources.

Another interviewee warned

The relatives here do not know that side of the story because the Salvadoran hero who left decided not to share his suffering with his family who stayed behind, facing poverty and the consequences of war. The family members here are only able to see things superficially. In reality, they do not know how things are over there, the way of life, or how the migrant has to protect himself each time he steps out into the streets in a world that rejects him, that exploits him, that uses him, and takes advantage of him. And the worst thing about it is that he who is exploited is grateful to be exploited.

As proposed in Scenario 1, family disintegration is the most prominent problem detracting from Intipucá's classification as a model of social development. Migration has broken up families, and it is not uncommon for a child to be raised by only one parent or to even be left in the care of a relative while both parents are working abroad. In nearly 30 percent of Salvadoran households, the father is absent (Cox Edwards and Ureta, 2003:16). One man still remembered the "sadness" that marred his childhood, even after his family was reunited in the United States following many years of separation. He claimed, "When I came here [Washington], I never saw my father. When I went out for fun, he was sleeping, and when I came home, he was at work. Where is my father?" The lack of parental authority and guidance has led to sharp increases in crimes, including murder, armed robbery, and gang activity, as reported by local police. Increased drug use, especially crack cocaine, is "what has us truly worried," according to one resident. These vices are attributed directly to deported migrants' negative influence on the impressionable youth left parentless as a result of migration. One police officer explained, "Many people in Intipucá have been deported from the United States, and they are the ones that instigate disorderly conduct here for 'a' or 'b' reason. The United States sends them back to El Salvador, and they organize young people, boys and girls, into gangs."

However, the influence exerted by returned migrants is not always negative. As suggested in Scenario 3, many are respected members of Intipucá who have introduced positive social behavior and have transferred valuable skills. Interviews revealed that some returned migrants have been active in local politics and are involved in community organizations, such as the Red Cross and the church. Some also actively seek youth involvement in socially constructive activities, such as sports clubs and cultural groups.

### *The Local Development Effects of Collective Remittances*

Although family remittances have resulted in more costs than benefits, collective remittances have proven to be much more

fruitful for local development. In general, interviewees agreed that the development effects of collective remittances qualify the municipality as a model of development. As described in Scenario 3, Intipucá's migrants reengaged positively at the community level through the formation of an HTA. FUPI alone contributed to more than ten large-scale projects, as well as numerous smaller efforts, such as providing packets of school supplies for children and emergency financial assistance for ill community members. Since its founding in 1986, FUPI raised over US\$800 000. In general, it enjoyed a wide base of support in the urban center of the municipality. According to interviewees, the strong sense of solidarity among Intipucáños, both in Intipucá and Washington, allowed FUPI to be particularly dynamic. When asked what unique characteristic helps explain Intipucá's development, almost all interviewees elaborated on the unity among community members and their love of and commitment to the municipality. One interviewee, residing in Washington, claimed, "I never ever got used to here [Washington]. I like this country [the United States], but I do not love it. I do not know how to explain it. I like it, I am fond of it, I admire it, but I do not want to be a part of it. I want to live in my village; after all, I am a farmer. What I love the most is Intipucá."

Moreover, as proposed in Scenario 4, an HTA's success is largely due to its ability to form effective partnerships at the local, national, and transnational levels. FUPI collaborated with the government at both the municipal and national level on four large projects, to which it contributed more than \$100 000. The most significant was the construction of a US\$500 000 soccer stadium. The creation of these partnerships tripled the funds allocated in Intipucá's municipal budget. Partnerships also significantly enhanced FUPI's development agendas, allowing more community needs to be met, especially essential infrastructure, as well as making it possible to promote health, education, and cultural initiatives. Moreover, FUPI ensured that the state continues to fulfill its development obligations to the community, including meeting infrastructure and social-program needs. However, partnerships

between HTAs and the state are mutually beneficial. In order to ensure the continued flow of remittances, the government also actively sought to forge alliances through matching-funds initiatives. As a result of these partnerships, FUPI also strengthened the base of civil society and gave the community an effective vehicle through which to exercise its voice and challenge the state. In short, FUPI excelled in capacity building, organization, and long-term durability that have bolstered its development successes (Orozco, 2003).

Nonetheless, despite the many benefits of collective remittances, in the eyes of some, FUPI fell short of a model of development. One interviewee commented about Intipucá's collective remittances: "I do not think Intipucá is a model of development if we want to consider development as a complete process." As described in Scenario 3, interviews revealed that FUPI aggravated social cleavages and worsened inequality between the urban center and the municipality's surrounding, poorer *caseríos*. Although widespread support for FUPI existed in the urban center, residents elsewhere complained that benefits were not equally distributed across the municipality. FUPI was unregulated, and although it had an executive committee in Intipucá, a handful of power holders in Washington made the key decisions concerning project selection, design, funding, and implementation. It is typical that HTAs' interactions tend to be hierarchical rather than cooperative (Orozco, 2000). Moreover, not all Intipucáños were equally represented in FUPI since those most involved are the wealthier migrants and their relatives, who have financial or personal interests in the urban center. The overwhelming majority of projects (seven of FUPI's ten largest) benefited primarily the urban center. People often perceived the motivations behind FUPI's collective remittances to be associated with gaining status and prestige, as opposed to the genuine, selfless sentiments that drive the sending of family remittances (Torres, 2000).

Often the projects chosen represent realities observed in the United States, which migrants want to transport to the hometown and enjoy on vacations or during retirement, rather than projects

that reflect the needs of the community (Cortés, 1999; Portes and Landolt, 2000). Some residents from Intipucá's poorer *caseríos* reported feeling neglected and discriminated against by FUPI and the *alcaldía* because their development needs have been virtually ignored even though they are the most afflicted by poverty. For example, some questioned the investment of nearly US\$500 000 in a football stadium when many *caseríos* are still without basic infrastructure, such as potable water.<sup>3</sup> One young man reported:

There is a foundation in the United States that sends money, but perhaps it does not benefit everyone, the entire community, but only some. For me, FUPI does not work for everyone because, for example, the stadium is not for everyone, but only for some, for those that are the closest [to FUPI members]. The problem is not with the people over there, but with those over here. A person has the key, and he decides who can use the field. The fact is that when one asks to use the stadium they say "no," that some team is going to use it. Not everyone has access... Perhaps, the poorest are discriminated against, and there is no unity for the entire municipality of Intipucá. There is nothing in the *caseríos*.

### *Conclusion*

Remittances and development have always engaged in an important interplay. However, globalization has altered the nature of this relationship, as remittances have been launched to the forefront of development agendas. Yet despite the recent attention, there is no consensus in the literature or among policy makers as to the development effects of remittances. In general, the literature on the remittance-development link is polarized between those who assume an optimistic position and those who underscore remittances' shortcomings for development. However, Intipucá's story reveals a much more nuanced and complex manifestation of this

<sup>3</sup>FUPI justifies the construction of the stadium, claiming that it provides youth with safe and positive entertainment, especially in the face of growing crime, drug, and gang influences.

relationship. This case study serves to illustrate that remittances do not produce only positive or only negative development effects. Instead, the elements in the four scenarios for the remittance-development link interact in complex ways. This case study also provides a portal through which to obtain a vivid view from the inside, through the eyes of individual and community recipients, in order to better understand how the remittance-development link looks on the ground.

In Intipucá, all interviewees accepted the counterfactual presented in Scenario 2 and believed that family remittances have indeed raised the standard of living, alleviated poverty, and brought about more opportunities. However, these improvements have not been significant enough for Intipucá to consider their municipality a model of development. In terms of the relationship between family remittances and economic development, the vast majority of interviewees claimed that Intipucá most closely reflects Scenario 1 and that the modest local economic development from remittances is offset by their tremendous costs. These findings suggest that family remittances have very real negative consequences for those living with the situation. Individual and community recipients feel burdened by the obstacles imposed by family remittances, such as lack of investment, dependence, inflation, moral hazard, and increased inequality. Moreover, the findings suggest that family remittances also exact weighty costs for local social development. Intipucá's assessment of their municipality's social development also aligned most closely with the conditions laid out in Scenario 1, despite the recognition of some positive outcomes. These findings again point to the nuanced effects of the remittance-development link. Recipients at the local level appeared to stress the grave social ramifications for development, such as family disintegration, human-rights costs, and a culture of migration. However, they also recognize the complexity and duality of the relationship. This inside look at how the remittance-development link is experienced and how it unfolds at the local level could not have been attained through quantitative or macro-level analyses. Gaining such a perspective is impera-

tive for a deeper understanding of the nature and mechanisms of the link.

In contrast to family remittances, most interviewees believed that the relationship between collective remittances and development is positive for local development in terms of project delivery. Through collective remittances and the formation of HTAs, migrants' contributions extend beyond individual families and are channeled into tangible investment. According to Intipunqueños, the benefits from these investments have far outweighed their costs in terms of the scale and scope of the effects. Thus, in comparison to family remittances, the prospect of collective remittances, as introduced in Scenarios 3 and 4, appears to hold much more promise for local development because they are flexible and can be supplemented with public funds. The development impact of family remittances is conditioned by the economic and investment climate in the home country, and family remittances cannot be used productively if solid economic conditions and investment opportunities do not exist in the local economy. Moreover, family remittances are private funds, so recipients have discretion over their use. It is easier to direct collective remittances to development objectives. From the experience of FUPI, it is clear that collective remittances flourish when linked to state partnerships. In addition, HTAs like FUPI would better serve their communities and local economies by supporting more wealth-generating projects. However, evidence from FUPI also indicated that in order for HTAs to maximize their development potential and generate equitable gains, they must be inclusive and representative of the community and ultimately work to strengthen the base of civil society.

In conclusion, family and collective remittances have brought development in Latin America to an important crossroads, where new methods and players are under consideration. Migrants are becoming increasingly vital development stakeholders, who are opening doors to new development opportunities, not only for their own relatives but also for their communities at large. However, research on the remittance-development link must continue to define the role that remittances should play in alleviating pov-

erty and inequality and to strike a more balanced and nuanced understanding of this complex relationship.

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