

«IF THEY DID NOT WATCH OVER ME, I WOULD HAVE NOTHING»: REMITTANCES AND LOCAL FINANCIAL STRUCTURES IN THE AUSTRO REGION OF ECUADOR. A TRANSNATIONAL LOOK AT MIGRANTS' MONEY



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ABSTRACT: Remittances have become an important topic for international organizations, financial institutions, nation-states, researchers, and more. Of special interest is how to establish a link between the money sent by migrants and the processes of development and social change taking place in their places of origin. For an in-depth look, we must analyze migrants' ability to develop options, knowledge, and strategies that do not usually show in official statistical data. This paper analyzes an organizational process developed by rural communities in the Austro region of Ecuador. The process itself was based on preexistent popular financial structures that have been strengthened by the channeling of remittances in what is otherwise a context of economic, political, and social crisis. Our analysis takes a transnational approach in order to reveal the impact of remittances and the economic, social, and political significance ascribed to them by the people.

KEYWORDS: Remittances, Organizations, Development, Finance, Projects.

RESUMEN: Las remesas se han convertido en objeto de interés por parte de organizaciones internacionales, instituciones financieras, los estados nacionales, investigadores, etc. Uno de los temas emergentes es precisamente cómo este dinero enviado por los migrantes se puede vincular con procesos de desarrollo y cambio social en las localidades de origen. Para profundizar esto, es necesario analizar la capacidad de las gentes para generar opciones, conocimiento y estrategias no suelen aparecer en las estadísticas oficiales. Lo que proponemos aquí es el análisis de una experiencia organizativa de comunidades rurales situadas en el Austro ecuatoriano en torno a estructuras de finanzas populares que se han visto fortalecidas por la canalización de remesas en un escenario de crisis económica, política y social. Dicho análisis se basa en la perspectiva transnacional lo que permitirá desvelar el impacto y el significado económico, social y político otorgado por la gente al envío de las remesas.

PALABRAS CLAVE: Remesas, Organizaciones, Desarrollo, Finanzas, Proyectos.

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The remittances sent by migrants to their families and communities, as well as how to deal with them and how to use them, have become key topics in governmental, multilateral, and national and international institutional economic agendas. The specific link between remittances and development-aimed measures has led some to describe them as «the mantra of development» (Kapur, 2004). In this particular and because of their capacity to refashion the geostrategic positions of the nations linked by them, remittances have created new fields of action and influence. The European Union, for example, sends more remittances to non-EU countries than the United States, and Latin America receives the largest remittance flow from Spain.¹ Migrant-sending nations have begun to actively implement remittance-capture policies (Levitt and Glick Schiller, 2003). An increasing amount of funds is being channeled towards remittance-inclusive development projects such as codevelopment, while migrant-receiving nations such as Spain characterize remittances as a «source of and a tool for development» (Cortés, 2008).

Although there are estimates on the value of remittances moving between the United States, Europe and Latin America, little is known about the various projects and practices fostered by immigrant groups in their countries of origin, the role of local organizations, or the strategies considered by these communities or their national governments in order to encourage and channel the material contributions of expatriates (Portes *et al.*, 2006: 5). In short, and beyond what is reflected by the macroeconomic data and the policy of numbers, people send and receive money in different ways and for different reasons. This means that these transfers cannot be interpreted as an isolated phenomenon free of specific social contexts (Sørensen, 2008). Nevertheless, such an approach—one that focuses on local aspects and individuals' capacity to create options, knowledge, and strategies—is hardly ever considered in official statistical reports. What drives people to send money from abroad even when a considerable amount of time has gone by? How do they construct their transnational commitment to those they left behind? Sørensen reminds us that «the different types of remittances; the return of migrants with new experiences or lifestyles acquired abroad; the establishment of investments; business and intellectual bonds, and larger, socio-cultural bonds between associations, the diaspora, and the developing countries, can potentially benefit development—especially if the policies are characterized by new conceptual approaches, such as the understanding that migration involves the people who stay as well as those who move across international borders» (Sørensen, 2008).

¹ According to the Bank of Spain, the major remittance receivers in 2006 were Colombia (19.7% of total remittances, or 1.341 million euros), Ecuador (17%, or 1.157 million euros), and Bolivia (10.8%, or 735 million euros). See www.remesas.org, accessed January 10, 2008.



This study, in fact, focuses on those who stay behind but maintain ongoing bonds with their expatriate relatives. Ecuador’s southern local financing bodies, known as Estructuras Financieras Locales or EFLs, are a good example of how those who stay engage in their own process using the earnings provided by those who left as a basis.² These financial structures will leave no imprint on the larger body of data unless we can understand and contextualize their local impact as based on a fundamental fact: the frequent and ongoing participation of migrants in the economic, political, and cultural life of their countries and, particularly, their home towns, all of which requires regular and frequent contact across national and translocal borders. This contact is possible thanks to new transport and communications technologies (Levitt, 2001; Guarnizo, 2004).

This paper analyses an organizational experience practiced by rural communities. It is based on popular financing structures and strengthened by the channeling of remittances.³ This analysis takes a transnational approach in order to reveal the impact of remittances, their economic, social and political significance, and how they are channeled via the aforementioned structures.⁴

THE ESTRUCTURAS FINANCIERAS LOCALES AND MIGRATION

The Estructuras Financieras Locales (EFLs) and popular finances: the REFLA context

The EFL denomination comprises several types of financial entities, including communal banks, savings banks or *cajas de ahorro* (CACs), and savings and credit cooperatives (COACS) that operate across Ecuadorian territory.⁵ The 21 EFLs that

² As we state later, the Azuay and Cañar EFLs are not the only ones in Ecuador. They are, however, some of the most experienced and mature when it comes to channeling remittances. We focus on them for this reason, but we also take into account other EFL networks around the country.

³ Fieldwork for this study was conducted during 2005 and 2007. This allowed us to monitor the changes and responses these organizations developed over time. Research methods were varied and included bibliographic research, in-depth interviews, focus groups, field visits, participant observation, and quantitative data among others. First-hand access to information and our close relationships with some members were made possible by our involvement in several pertinent projects: the filming of a documentary; participation in the systematization team for the Plan Comunicación, Migración y Desarrollo (Communication, Migration and Development Plan, PMCD) and the systematization team for the Concurso Minka de Chorlaví sobre Migración y Desarrollo Rural (Minka-Chorlaví Contest on Migration and Rural Development); assistantship in a codevelopment Project supportive of these EFLs, and involvement in codevelopment instruction courses.

⁴ We thank the EFL members, their leaders and managers, administrative personnel, and associates for their understanding and help in this project. Without them there would be no EFLs and none of the results this paper examines. We dedicate this work to them, as it is theirs.

⁵ For the purposes of this paper, the terms EFL, COAC, and cooperative are used synonymously. «EFL» is the technical denomination used in the popular finance model; «CACs» or «COACS» describes their size and is the term used legally; «cooperative» is the term most often used by community members.



comprise the Red de Estructuras Financieras Locales del Austro Ecuatoriano (Network of Local Financiers of the Ecuadorian Austro, or REFLA) is one of the nation's most experienced networks. These EFLs are located in the central-southern mountain range in the provinces of Azuay and Cañar, which have a mostly rural *mestizo* and indigenous population of 800 thousand. The EFLs are scattered throughout these two provinces, and many of them can be found in Andean and even coastal areas.⁶

Although the REFLA acquired legal capacities in 2005, each EFL owes its existence the specific organizational processes dating back more than a decade. Some were born out of parish⁷ irrigation associations, or Juntas de Riego; some were formed by agricultural producers, artisan or neighbor associations, small-group initiatives, etc. The consolidation of an EFL requires training, specialized financial knowledge, and the use of new technologies. It thus necessitates the involvement of external players in addition to determined communal organization. In this case, said task has been taken on by the Fondo Ecuatoriano Populorum Progressio (Populorum Progressio Ecuadorian Fund FEPP),⁸ an institution that has fostered solidarity economy and popular finance associations from its inception and provides training (in accounting, financing, administration, law, etc.) and technical assistance, along with capital⁹ and encouragement. It is important to point out that EFLs have also received support from national and international NGOs, representatives of the Roman Catholic Church, and local governments among others.

This particular implementation of a social economy is centered on the individual and human groups that, lacking access to (in this case financial) services, create alternative entities that, in turn, become part of local, regional, and national networks. Their internal dynamics are based on the democratic participation of their members and, in fact, one of their defining features is the socioeco-

⁶ EFL distribution by cantons (*cantones*) is as follows: Chordeleg, Chaucha (C), Cuenca, Baños (C), Azogues, Gualaceo, Guachapala, Sigsig, Cañar, Naranjal (Guayas), Molleturo (C), Girón, Sevilla de Oro and El Pan.

⁷ In Ecuador, a parish is the lowest-ranked political/administrative territorial subdivision (province-canton-parish). Most EFLs are located in rural parishes.

⁸ The FEPP is a private, non-profit, ecumenical charity sponsored by the Ecuadorian Episcopal Conference. It is over 35 years old (the first statutes date back to July 22, 1970) and has been known as Grupo Social FEPP since 2000. It is comprised of several legal bodies with common principles, values, approaches and goals, and implements integral local development projects (e.g., housing, running water, and public services; training; commercialization; agricultural imports; environmental conservation, and sustainable use of natural resources). It is known as Fondo (or fund) because it initially issued credits for productive, development, and commercial activities in the rural sector. Today, this role has been taken over by the development cooperative known as Cooperativa Desarrollo de los Pueblos Codesarrollo Ltda. (FEPP, 2007: 64).

⁹ In 1997, the FEPP created the credit and savings cooperative Cooperativa de Ahorro y Crédito Desarrollo de los Pueblos Ltda. (or Codesarrollo Ltda.); one of their services is to offer financial and technical support for EFL networks. Financially speaking, it subsidizes EFLs by providing them with loans that ensure their liquidity. It is also in charge of receiving most of the remittances sent from Spain and Italy and transferring them to the EFLs in its network.



conomic origin of the groups that invest in these types of processes: they comprise marginalized sectors of the urban and rural populations.

The social and solidarity economy is comprised, among other things, by social and solidarity finances of which popular finances are a part. These respond to the demands of sectors of the population that are regularly excluded from traditional banking, and provide an ad hoc approach to the basic needs of a local populace. This is why social finances are considered a «democratization» of the financial system (Dias F., 2004: 261). They entail extensive, direct, and democratic participation of sectors involved in their organizational and administrative development. The deprivation of and lack of access to financial services experience by marginalized populations are mainly defined by the limits of the conventional financial system itself. The absence of financial services catering to poor sectors of the population is due to the high risks they entail in a traditional banking context. All financial entities play a role as financial intermediaries by capturing resources in the form of savings, which they then transfer to lenders in the form of credit. Within this scheme, finances are predominantly focused on the risks of recovering the lent money and the ultimate profitability of said loan. Hence the dictum, «maximize profit and minimize risk» (UNGS, 2007: 22).

According to this idea, poor sectors comprise «high-risk borrowers» who lack the sufficient economic and material resources to ensure the reimbursement of the credit (economic factor). Poor sectors do not fulfill the compulsory requirements for suitable borrowers.¹⁰ The outlook is even less favorable in terms of profitability. It is known that the costs of lending money are independent of the value of the loan itself; that is, monitoring a large loan costs as much as monitoring a small amount (i.e., it takes the same amount of time, technology, and human resources), but profitability is higher if the loan is larger: the larger the amount, the larger the profit. It is because of this that commercial banks favor the middle- and upper classes.

Rural communities are additionally excluded because banks tend to be located in the most important urban centers (political/territorial factor). The few people who have accounts in formal banking institutions must make long trips that take time and entail traveling expenses. In any case, most of the localities examined in this paper used to have absolutely no access to formal financial services. In addition to the obstacles presented by traditional banking schemes, Ecuadorians are often abused by local informal lenders (*chulqueros* or *chulco*), whose loans are traditionally very unfavorable to families given the high interest rates.

If we take into account the lack of access to financial services (i.e., traditional banking) and the fact that people need credits to cover both agricultural

¹⁰ In Ecuador, risk factors are defined by the Superintendencia de Bancos y Seguros (Superintendencia of Banks and Insurance, SUPERBAN) and include: an analysis of the applicant's income; her or his credit history; the presence of collateral or guarantees; the projects' probability of success, and the applicant's economic situation among others.



production (i.e., buying tools, animals, investing in crops, etc.) and basic human needs (i.e., medical attention, medicines, schooling and school supplies, home construction and upkeep, etc.), we can state that rural Ecuador has been going through a sustained crisis, both in terms of productive labor and social reproduction. The EFLs have filled a huge void that formerly excluded an important part of the population. Nevertheless, they only provide partial coverage: most of the country still lacks access to fair and regulated savings and credit services.

The EFLs comprise an alternative, self-governing model created by traditionally excluded sectors and/or those who are not satisfied with the traditional financial system (public, private, and mixed banking) or the *chulco*'s informal dealings. They are the result of communally organized, suitable, and self-beneficial financial services. The term «popular finances» is often used because marginalized sectors participate as both subjects and protagonists in the process rather than just mere beneficiaries. This concept extends the boundaries of the limited notion of microfinances, «taking it out of the small ghetto to which it has been relegated –that is, beyond microentrepreneurship– while looking for a territorial connection» (Dias F., 2004: 262-263).¹¹ The term «popular finance» in itself carries emancipatory connotations vis-à-vis the exclusivist and rentier nature of the traditional banking system.

One of the FEPP's most important acts of support has been the encouragement of a popular finance proposal to be applied on a national scale. Ecuador currently has nine EFL networks in different provinces and a Red Nacional de Finanzas Populares (National Network of Popular Finances, RENAFIP).¹² Currently, EFLs operate normally in each of their parishes, offering savings and credit services as well as non-financial services that nevertheless benefit their members and clients. For example, some EFLs take payment for public services (electricity, water, telephone services), cash the solidarity bonus,¹³ and provide photocopying, printing, faxing, storage and other types of services that previously required traveling to a larger town; they also have small computer rooms put together with donated equipment. More recently, some started transferring remittances.

¹¹ Although microfinances provide the poorest sectors of society with «an option to access financial products» (Ribadeneira, 2006: 176), their implementation involves conventional banking. In fact, many commercial bodies have joined microfinancing projects given their profitability. Cooperative managers prefer the term «EFL» to «microfinance» (IMF) because what would appear to be reduced credits can actually make a difference the pauperized rural sector.

¹² Some of the current networks are: Red de EFLs Alternativas del Austro Ecuatoriano in Azuay and Cañar (REFLA, 21 EFLs); Red Financiera Rural de Manabí (15 EFLs); Red de EFLs del Sur del Ecuador in Loja (REFSE, 37 EFLs); Red Financiera del Norte in Carchi and Imbabura (REFIDER, 23 EFLs); Red de Estructuras Financieras de Cotopaxi (14 EFLs); Red Financiera de Tungurahua (13 EFLs); Red Financiera de Chimborazo (6 EFLs); Red Financiera de Sucumbíos (28 EFLs), and Red Financiera de Bolívar (15 EFLs; GSFEPP, 2007: 64). These came together in December 2007 to form RENAFIP.

¹³ Officially known as Bono de Desarrollo Humano (Human Development Bonus, or BDH) this is a 30 USD economic subsidy delivered monthly by the government; it is only issued to the poorest sectors of society (poverty quintiles one and two), the elderly, and the handicapped. Some 1.2 million people in Ecuador receive it.



The number of members has quickly and continuously increased since the time of their inception. The number of members among REFLA's 12 founding EFLs increased 2.3 times from 2003 to 2006 and went from 4,143 to 9,394 people. Today, the total number of members exceeds 30,000 people distributed among the 21 EFLs that currently comprise REFLA (Ortega, 2007b).

*Migration and the heyday of cooperativism:
the two faces of the 1999 crisis*

The provinces of Azuay and Cañar comprise the Ecuadorian region with the longest historical emigration process. Ever since the middle of the 20th century, its inhabitants have been leaving (mainly for the United States) after the decline in exports of the region's main economic product (hats made from *paja toquilla*, a type of raw hay)¹⁴ during the post-World War II crisis (Gratton, 2005). The commercial relationships between Ecuadorian businesses and the United States, along with the lax migration regulations of the time, encouraged the «first migration wave.»¹⁵ This trend continued from the 1970s into the 1990s, but only in moderate amounts that comprised less than 0.4% of the total national population (Albornoz and Hidalgo, 2007: 2). Even then, «during the 1980s and 90s, the provinces of Azuay and Cañar became the 'central axis' of the migrant-sending region of Ecuador and could have well been the zone with the highest migrant-sending rate in South America» (Jokisch, 2001).

The igniting factor in Ecuador's accelerated emigration process came in 1999 during the country's worst economic crisis, the consequences of which rippled across the nation. After a long period of stagnation spanning from the late 1980s to the end of 1998, 1999 saw the sharpest historical drop in Ecuador's Gross Domestic Product (GDP). To this add the drop in oil prices, the international financial destabilization, the continuous adjustments made to the monetary fund, and the freezing of bank deposits in March of 1999 (Acosta *et al.*, 2004). The foreign debt and the freezing of deposits known as the *salvataje bancario* had the greatest social repercussions. The foreign debt drained about three fourths of the state's income (i.e. taxes and oil profits; Atienza, 2008). The *salvataje bancario* further contributed to the nation's sweeping crisis as Ecuadorian deposits were frozen in an attempt to liberate funds that would stop the banks from going bankrupt –or, more precisely, «in order to supply resources to corrupt bankers» (Acosta *et al.*, 2004). This measure did not work, and soon the government had

¹⁴ Hand-woven article made with fibers derived from a bush of the same name.

¹⁵ Although the use of this term is popular, especially among the media, we prefer others such as «migration process» or «fast exit.» The reason is that terms like «wave» and «flow» imply a constant and uninterrupted natural movement, which has «lack of control» connotations that tarnish migrants' reputations.



no liquidity with which to make internal or external payments: for several months during 1999, the salaries of teachers, nurses, doctors, policemen, and the military were suspended. The payment of the debt was likewise suspended, and this contributed to a generalized feeling of collapse. In the midst of the crisis, Jamil Mahuad's administration decided to adopt the U.S. dollar as the new Ecuadorian currency, which only worsened the state of the national economy.

The consequences of the crisis greatly affected the population. Between 1995 and 2000, Ecuador suffered the fastest impoverishment rate in all of Latin America vis-à-vis the highest concentration of income and wealth. While in 1990 the poorest 20% of the population received 4.6% of the total income, by 2000 the amount had decreased to less than 2.5%; at the same time, the wealthiest 20% of the population increased their share from 52% to over 61% (Acosta, 2003; Acosta *et al.*, 2004). There have been direct consequences in terms of welfare and security: increased labor precariousness; the weakening of limited social protection mechanisms; a decrease in food rations and the consequent nutritional deficiencies; an increase in infectious disease; a decline in health systems; growing lack of security and increased violence, and political repression and instability among others (Acosta *et al.*, 2004; Atienza 2008). We must point out that this situation affected the already marginalized rural, peasant, and indigenous populations the most.

These circumstances have led to massive emigration since 1999. Although there is no precise data regarding the total number of emigrants, calculations indicate that, between 1996 and 2006, some 900 thousand people (between 15% and 20% of the economically active population) have left the country (Flacso, 2006: 15; Vega, 2006). These figures are derived from official registries that keep track of people leaving and entering the country but do not include those who have left using irregular channels. In only five years, the current number of emigrants has equaled that of the past five decades.¹⁶ Ecuador is Latin America's seventh remittance receiver and remittances have grown constantly since 1999. Since 2000, they constitute the nation's second most important source of revenue after oil exports. According to the Central Bank of Ecuador (BCE), the nation received 2.916 million dollars worth of remittances in 2006.¹⁷ A third of this amount was sent to Azuay and Cañar, resulting in an important flow of resources to the region.

On the other hand, the financial crisis of 1999 also fostered the heyday of cooperativism, particularly in the form of rural associations. Faced with the collapse of the conventional financial system, several financial structures fit enough

¹⁶ Data is imprecise: some authors calculate «between one and 1.3 million» (Arteta and Oleas, 2006); others «between two and 2.5 million» (Acosta *et al.*, 2004). And yet, Ecuador currently has the highest emigration rate in the Andean region. The United States is still a favored destination, but Europe is increasingly popular; Spain, the United States, and Italy are the most popular destinations (Herrera, 2007).

¹⁷ Most remittances come from the United States (54.7%), followed by Spain (38.2%); 90% of all of Ecuador's received remittances come from these two nations (BCE, 2007).



to survive the crisis were created or strengthened, and this boosted their credibility among local communities. The rural and marginal urban sectors were deeply affected by the closure of banking and credit institutions needed for productive, family, and associative enterprises. Agricultural activity was adversely affected and many medium- and small-scale commercial and productive enterprises were forced to close down. Independent workers, artisans, and farmers were unable to sustain their productive activities, «so we decided to join; our small handicrafts businesses could not sustain themselves, the banks wouldn't lend us money; several colleagues left for the United States, and those of us who stayed formed the cooperative» (interview, Baños, May 2007). This situation led to deep mistrust and encouraged people to spend their additional income on material goods (houses, furniture, and/or vehicles)

At the same time, the lack of credibility associated to traditional banking boosted the image of savings and credit cooperatives. Cooperativism strengthened all across Ecuador. Several alternative entities such as communal banks, savings banks, and savings and credit cooperatives (e.g., Grameen Bank, EFLS, microfinance institutions or MFIS, etc.) were established. These are not only remarkable in terms of their growth in members and assets,¹⁸ but also in terms of their efficiency: they have become sustainable entities that have achieved optimal financial results and, in some cases, have done better than traditional banks.

In short, the crisis of 1999 is at the root of two independent but complementary processes: ongoing emigration and the growth of cooperativism (especially in the case of popular finance institutions). In the case of the Azuay and Cañar¹⁹ regions, these two dissimilar processes have mingled thanks to strong local roots and the labor of the EFLS.

Remittance savings and local development credits

The EFLS are intrinsically tied to the strong international migration process, and it is the latter that has determined the character and function of these structures in terms of composition and leadership (more women than men), creation of financial products and services (e.g., *credimigrante*,* housing credits, transfer of remittances) and, especially, a strong capitalization process based on the direct and indirect channeling of remittances. By direct channeling we mean the transfer of remittances that takes place in accordance with agreements established

¹⁸ On a national level, the growth of the savings and credit cooperative sector can be seen in the number of entities, members, and assets; for example, funding increased from 75 to 400 million dollars between 1998 and 2005 (Flamarique, 2007: 14).

¹⁹ We focus on these two provinces because this is where REFLA operates, but this is probably also applicable to other provinces in Ecuador.

*TRANSLATOR'S NOTE: A low-interest loan designed to cover migration-related debt.



between remittance agencies and national and international financial institutions. This type of (currently minor) remittance transfer allows people to receive the money directly at a given EFL without having to travel somewhere else in order to get it from a remittance agencies or a commercial bank. This has required agreements with financial entities that posses the technology, international presence, and financial capacity to engage in these sorts of monetary transactions.²⁰ On the other hand, indirect channeling refers to the capture of remittance-derived savings made by families and EFL members who have received the money from other sources (remittance agencies, private banks, courier, etc.). This is a permanent conduit and a source for the capitalization of the EFLs.

As has been mentioned previously, a third of Ecuador's total remittances go to the Azuay and Cañar provinces (in 2007 this amounted to over 900 million dollars). The EFLs eventually receive a very small portion of this amount in the form of small deposits that comprise 60% of their capture. In absolute terms, thousands of emigrants' families have put some 7 to 8 million dollars in savings into the EFLs. This sum is small when compared to the amounts made by commercial banks, but in the world of popular finances and cooperative rural banking it is quite significant. These amounts demonstrate the savings capacity of poor sectors (whether the savings are derived from remittances or their own productive activity) as well as the EFLs ability to retain and circulate local resources in the localities themselves. It must be pointed out that, in most rural parishes, EFLs are the only institutions that provide financial intermediation.

Popular finances constitute an incalculably valuable strategy through which to retain and circulate the resources generated by communities (both locally and overseas, in the case of remittances). In the absence of EFLs there is a capital outflow from the countryside to important urban centers, since the money goes into the coffers of commercial banks. In fact, part of it leaves the country in the form of foreign assets held by Ecuadorian banks and, of course, does not flow back into the local economy. The local retention and circulation of assets increases resources, produces wealth, and contributes significantly to local development processes. It has been said that «if remittances mostly end up in commercial financial institutions and state banks, they will often be used in costly projects that, however, do not cater to the urgent needs of the communities» (Auroi, 2007: 309). In fact, one of the principles behind the EFLs is that «the localities' money should stay in the localities» so that it can be put back into circulation in the form of credits; this accrues interest, responds to the needs of local families, and essentially energizes the economic-productive fabric. This is the EFLs greatest

²⁰ For example, the July 2006 agreement between Caixa Catalunya and COAC Codesarrollo Ltda. establishes a fixed 2.90 euro transaction fee if the amount does not exceed 3,000 euros a month. This agreement includes the EFLs as the last link in the transfer process, which means that some of them can directly deliver remittances sent from Spain (Ortega, 2007b). There is also an agreement with the ICCREA Banca, and others with U.S. banks are under way. COAC Codesarrollo Ltda. pioneered low-cost remittance transfers in Ecuador and has played a crucial role in this process.



merit: their ability to return the money to the community in the form of loans that benefit their saving clients, the families of emigrants, and other members of the community who do not necessarily receive remittances. This process has been invigorated by remittance flow.

THE MEANINGS OF MONEY AND THE ROLE OF THE EFLS

Remittances and the use given to them by EFLS

Although, during the past few decades, debates on migration and development repeatedly concluded that remittances and migration could not be linked to development processes, this outlook has changed dramatically since the year 2000. The subject is being broached again –possibly because of the international expansion of remittances– and researched from academic, political, and development-related points of view.

Nowadays, remittances are an undoubtedly important macroeconomic instrument for migrant-sending countries: they ease debt, stabilize the balance of payments and, in many cases, constitute the main source of foreign currency inflows. The volume and stability of these ties have transformed «this intimate transaction into one of the most important private transactions in the global economy» (Guarnizo, 2004). For many individuals, families, and communities in developing nations, remittances sent from abroad constitute a fundamental source of income, security, and eventual resource accumulation. They are used in many different ways: they contribute to the household's daily sustenance, are invested in material and non-material goods and services (home improvement, education, land acquisition, health), serve to start small businesses, or are funneled into collective projects (Daum, 1997; Panos, 2001; Sørensen, Van Hear and Engberg-Pedersen, 2002).²¹

When analyzing remittances we must always keep in mind the origin and destination milieus, as there are substantial differences between the regional and local levels. It is by contextualizing the sending and receiving of remittances within a transnational community's migration history that we become capable of discerning the role played by remittances themselves. We can, for example, identify how families follow a «cycle» based on a demand for savings and/or credit that is intrinsically tied to the goals of the migration process.²² In the Ecuadorian case, the first credits (issued through a product known as *credimigrante*)

²¹ In the case of Ecuador, most of the money is spent on basic needs: consumption, payment for public services, health, education (Martínez, 2004: 10; FOMIN, 2003: 28). These are regular expenditures in poor households where remittances are the main source of income.

²² This applies to many but not all cases; according to managers, differences occur in the case of families that apply for successive credits.



are meant to pay off the debts of the emigration process itself as quickly as possible. This usually involves reimbursing *chulqueros* to stop the high interest rates²³ from accruing (usury) or, in the worst of cases, to avoid compound interest. It must be pointed out that EFLS do not give loans or credits to fund emigration. However, once the emigrant has reached her or his destination, EFLS provide their families with the infrastructure needed to repay the debt. Once the debt has been paid off, people apply for loans that can help them improve their homes or buy land in which to build.²⁴ Houses are fitted with new equipment, domestic appliances, and new furniture. Some families decide to buy vehicles, usually trucks used for rural activities.

Later on, people start saving for different reasons: to preempt a possible lack of resources if the remittance flow stops, set money aside for emergencies, cover the emigration costs of another family member, or join the rest of the family (in which case, the properties and goods acquired initially are put up for sale). At the end of the cycle and depending on local conditions, some remittance-receiving families will consider productive investments in, for example, urban areas. They buy taxis, buses or trucks, communal cybercafés, restaurants, shops, hardware stores, etc. Rural investments are usually destined to agricultural activities such as the buying cattle, pigs, or hens, building trout-rearing ponds, buying seeds, paying workers, planting and harvesting, etc. In this sense, EFLS cover the particular needs of families in the community by linking their wants to their migration history. That is, people address their needs in terms of their own hierarchy of priorities.

If, however, we consider the total amount of credits issued by the EFLS (quantitative criterion), we will see that the distribution changes in terms of magnitude. According to Ortega (2007a), 54% of credits are used in productive associative investments, as well as family and individual ones. These are followed by the *credimigrante* at 34%, while the remaining 12% is assigned to expenditure (the credit total was over 12 million dollars in 2006). This means that people do ask for more credits in order to make productive investments, but it is also true that they usually do so once they have already applied for the *credimigrante* or received home improvement and land-buying credits. Even though not all of this money

²³ In order to emigrate, many people go to *chulqueros* and request between 3,000 and 15,000 dollars depending on the destination; monthly interest rates oscillate between 10 and 15%. This means that, oftentimes, the debt amounts to twice the loan or even more. This can have particularly serious consequences if the emigration process fails, especially when conducted through irregular means. Those left behind must take responsibility for the debt and will pawn land, houses, or vehicles. In the Austro region, women are often left as household heads and must shoulder these obligations. These highly unfavorable agreements often lead to young families losing property or lands, which has increased marginal conditions in the area.

²⁴ One of the visible changes brought about by international migration is the substitution of traditional brick and adobe houses with two- to four-level homes designed in accordance with the plans and images sent by emigrants themselves and based on the types of architecture they encounter abroad.



is derived from remittances, most of it is. Curiously, remittances are financing entrepreneurial activities without migrants even being aware of it. Their work not only benefits their families but also their communities: the poor and the wealthy, migrants and non-migrants (M. P. Smith, 2001). And yet, this link between migration and popular finances has not been deliberate, since the «EFLS were not born because of or to support emigration.»²⁵ The remittances that go into the EFLS come out in the form of wealth-promoting credits. The EFLS serve as a catalyst, transforming private remittances into capital that is available for communal use. The redistributive potential of these structures cannot be ignored.

One of the major issues in the remittance/development debate is the supposed need to ration remittance use in order to stop the monies from being «wasted, squandered» when they could instead be given proper, productive use. As happens in other parts of the world,²⁶ the remittances sent to the Ecuadorian Austro guarantee the survival and sustenance of many families who live in poverty. Many households depend on remittances as their only source of income, especially if they consist of elderly people or children. Family members who reside abroad (the sons and daughters) are in charge of ensuring the reproduction of these households; in the words of an elderly woman, «if they [her daughters] did not watch over me, I would have nothing» (interview, San Juan de Pindilig, Cañar, 2007). Remittances are part of the mobile survival strategies of emigrants. Their mobility and the money they generate (and which is then circulated) have become resources in themselves, playing a fundamental role in the survival and sustenance of many families and households (Jazayery, 2002; Hansen, 2004).

As far as the EFLS are concerned, another crucial role played by remittances is to serve as a link between local (and, to a lesser extent, national) economies and global economic processes of generation of capital. Migrants obtain financial capital and receive salaries; they transfer part of these to their households and, in doing so, connect local and national economies to the global economy. Remittances serve as a tool in the economic strategy of diasporas that have seen their nation become deterritorialized and globalized beyond the traditional borders of the nation-state (Gundel, 2002). Having taken all of this into account, it becomes evident that this powerful link between places of origin and destination is an aspect that does not usually show in macrofinancial data. It entails long-lasting family bonds, friendships, neighbor solidarity. Family members who have stayed in Ecuador –in Cañar, in Azuay, the parishes neighboring Azogues, in San Juan de Pindilig or Rivera²⁷– periodically receive money from those who left. As those who left ensure the subsistence of those who stayed, love and family become present in spite of distance. This is why, in addition to providing financial

²⁵ The words of Patricio Aucay, Head of REFLA.

²⁶ For Mexico, see Fletcher 1999; for Somalia, Gundel 2002 and Hansen 2004; for Afghanistan, Jazayery 2002; for Sri Lanka, Sriskandarajah 2002, and for Morocco, Sørensen 2004.

²⁷ This is not an exhaustive list.



services, the cooperatives nurture a feeling of belonging that stretches across the world. Before they left, many emigrants were already part of their town's cooperative and some were even among the founding members. They are strongly bound to their local EFL, and this is an issue of identity and a statement of belonging: it represents the place where they were born and spent their lives.

Some of the emigrants who send remittances via the cooperatives do it with a very clear sense of social patronage and are aware of what this means to their community: «the people invest their money so that they themselves can use it» (interview, EFL Cacique Guritave, 2007). This is made clear in the testimony of another cooperative: «this is also about solidarity, the connections between one and another... the one who has more puts money in the savings bank and this is then used for social purposes» (interview, EFL Semilla del Progreso, Saraguro, 2005). Resident and non-resident populations are aware that the funds managed by the EFLs benefit the community and that it is thanks to them that those who need credit can obtain it: «what they [the emigrants] say is that we want [the locality] to move forward, that this is good for the parish itself» (interview, EFL San Juan de Pindilig, 2007). In this sense, the value of remittances is not only economic; they also carry a translocally identifiable social meaning. Remittances are born of the same social ties of solidarity, reciprocity, and responsibility they nurture; they connect migrants to their family and friends across national borders (Portes, 1995).

This is why, from the point of view of the EFLs, remittance money is charged with variegated meanings. On the one hand, it evidences a social goal: people know that when they deposit money, besides receiving interest, they are helping others undertake productive ventures, pay off migration-related debts, or cover basic needs. This entails a solidarity-based understanding of remittance-sending and local deposits. On the other, the resources sent by children to their parents, husbands to their wives, wives to their husbands and children, and so on, are guided by familial responsibility. The sending of remittances also entails the sending of certain ideas, visions, feelings, emotions, projects, dreams, attitudes, abilities, knowledge, etc. In a way, the EFLs channel all these aspects. As we have already mentioned, they comprise an outstanding process of social network-building that, because of emigration, has also become transnational. Social capital²⁸ is at the root of these cooperatives, which are founded on responsibility, expectations, and rules of reciprocity, trust, and solidarity. This is a mechanism that enables the creation and preservation of bonds between emigrants and the places where their lives take place. In the case of the EFLs, the arrival of remittances is possible thanks to the complex network of personal, neighborly, familial, and friendly relations that form the social basis of the cooperatives.

²⁸ By «social capital» we mean «an individual and/or community's capacity to access a resource by virtue of belonging to wider social networks» (Alejandro Portes, «Capital Social e Inmigración», conference given at the Universidad Complutense de Madrid, October 2008).



Mutual trust is one of the sources of the EFLs' social capital. People make deposits because they trust the institution and those who run it. Arrears rates tend to be quite low: «we [as a cooperative] start by thinking of credit as nothing more than an act of good faith in a rural context» (interview, EFL Coopera, Shiña, 2007). «The rise of the EFLs happened thanks to members' trust... now they have strengthened with migration» (interview, Cuenca, head of REFLA, 2007). But this is not mere utopian talk, as the EFLs all have their own internal problems, conflicts of interest, and power struggles. In fact, these are due to the EFLs executive role in the community. At the same time, we should also keep in mind that remittances play a role in family power relations and involve issues of class, prestige, and historical local struggles and animosity. The sending and receiving of remittances can, in many cases, be linked to strong external control, as the emigrant has the power to determine spending, deposits, amounts, etc. It is interesting to note that this control is applied directly to both the family and the cooperative's personnel, as individual relationships are close and have a personal dimension. Thus, «people call [the cooperative] to see if the money has arrived, if it's going to be invested, they worry about the cooperative, wonder who's the manager and how old the manager is» (interview, EFL Cacique Guritave, Taday, 2007); or «They call me on the phone and say, I'm sending this much along and this much is for the house, and this much is for food, and what is left I want to save in the cooperative» (interview, emigrant relative, San Juan de Pindilig, 2007). This type of control is possible thanks to the shortening of geographical and temporal distances and shows how concepts of distance, closeness, physical separation, and so on, are being reformulated due to the spatio-temporal compression discussed by Harvey (1999).

*Political empowerment*²⁹

The initiatives promoted by the EFLs serve as a weapon in an active struggle against marginalization –a struggle that is based on the agency of individuals and therefore entails the creation of spaces of social autonomy: «people feel discriminated against, unable to obtain credit, and now we feel like the owners of our own business» (interview, EFL San José del Tambo, Espíndola, 2005). These organizations have come up with strategies that allow people to overcome isolation by using their networks (REFLA and RENAFIP are an example of this) and benefiting from bonds with NGOs, local governments and national bodies, private institutions, international cooperation organisms, financial institutions abroad,

²⁹ I.e., the process of self-determination through which individuals or communities gain control over their life choices. This is a process of awareness (i.e., becoming aware of all the facts that influence people's lives) and liberation (i.e., having the power to determine their own destiny; <http://www.lachsr.org/es/thesaurus/00001016.html>, cited in Mancha, O. (2007).



and a diversity of social actors. The networks have brought about practical improvements such as a reduction in training costs, the hiring of specialized personnel, technical assistance, financial backing, exchange of experiences, and negotiations involving agreements and services. They are also a vital space for vindication and socio-political incidence on both the regional and national levels.

A number of actions taken by EFLS as a collective have also helped boost social capital among members and their communities: the networking of members as proprietors; the redistribution of dividends and the reinvestment of profits in local projects; the encouragement of productive communal projects and individual and family enterprises; the implementation of training programs; the creation of spaces that enable participation and decision-making; the considerable and prevailing participation of women as both members and heads, and interaction with trade associations in order to develop strategies that can lead to the consolidation of cooperativism in the context of public policy. In fact, these networks have confronted the State itself when the Ecuadorian government tried to implement multiple and vague legal reforms the design of which appeared to be an attempt to counteract the savings and credit cooperative model (e.g. Decreto 2132 from 2001 and Decreto 354 of 2005; these decrees were backed by traditional financial institutions). The fact that certain financial sectors, NGOs, and even some state bodies such as the Dirección Nacional de Cooperativas (National Bureau of Cooperatives) also opposed these policies has enabled the cooperative sector to proceed with its development project. In fact, instead of curtailing it, obstacles have helped consolidate this movement.

This long process of vindication has received its most successful response yet in the new constitutional text approved in September 2008. This states that the Ecuadorian economic system «is social and based on solidarity; it recognizes the human being as subject and end.» Regarding popular finances, the new Constitution declares that «service initiatives in the popular financial and solidarity sector, as well as those of micro-, small-, and medium-sized production units, shall receive differentiated and preferential treatment from the State» (Article 311). We underscore this issue because it is not a topic that had been broached before on a governmental level. As we have already pointed out, this is the result of a large process of social mobilization the roots of which are found in social and solidarity economy systems that are not exclusive to the EFLS but in which the EFLS have played an active and decisive role. The adoption of the concept of popular finance is derived from these developments. Finally, it is important to point out that this process is not exclusive to the REFLA network or the Austro region: it can be found across the country and is embodied by several popular finance associations.³⁰

³⁰ RENAFIP is a good example of the dimensions and current relevance of different forms of social and solidarity economy in Ecuador, as well as concomitant experiences and projects.



CONCLUSIONS

The Ecuadorian EFLs and their links to the remittances sent by emigrants lead us to conclude the following. First of all, migrants' money is becoming one of the most important capital flows in the era of globalization, and many are interested in co-opting it. Ecuador's case is no exception, and its remittances have become «disputed capital» given the large number of interested parties seeking to exert more influence on these monies. This is evidenced by the actions taken by multilateral subjects, including sending and receiving governments, banks in places of origin and destination, suppliers of goods and services (e.g. travel agencies, remittance agencies), the *chulqueros* and *coyoteros*, family enterprises, and families themselves (Cortés, 2004).

The EFLs constitute an alternative response to the perceived need to put remittances through the banking system. Their goal is to contribute to local processes of development while serving as financial intermediaries. From this point of view, remittances become social resources derived from the capture of family savings that are then circulated through the community in the form of credits. This in turn boosts the economic-productive context at the local and territorial levels. Popular finances constitute a response to the perceived lacks of traditional banking. At the same time, they also solve dilemmas involving the private use of remittances by channeling these private sums toward communal benefit. These bodies very efficiently promote the social benefits that can be derived from remittances, as well as other local economic resources. Their multiplying effect allows resources to be funneled toward the local population.

Secondly, the EFLs current phase can be aptly described using Robertson's term, «glocal» (Robertson, 2000). According to the author, globalization is not a singly oriented process determined by global superstructures: it also includes the possibility of local intervention in global processes. We can see how the EFLs have come to occupy a small spot in the global financial arena and serve as the stage upon which financial transfers done in conjunction with major remittance-sending institutions take place. Their very birth is linked to Ecuador's implementation of structural adjustment policies and its entrance into global capitalism (the crisis of 1999); their development has been linked to the global context through the capture and channeling of remittances, as well as the communicative and technological processes this requires. At the same time, this flow of resources is conditioned by the global dynamics that affect the liquidity of a given local EFL. Examples of this are the work break during winter, the current economic and financial crisis, and instability in the construction, agriculture, and services sectors.

The EFLs' local pertinence also ensures their permanence. As an experience, popular finances surpass the solely financial aspect and are determined by the community's organizational processes. This suggests that even if the flow and channeling of remittances decreased considerably in the future, the EFLs would



still be able to operate with the resources that are being generated locally, as happens in other geographical areas of the nation; their contribution capacity would, however, be considerably diminished.

Even though globalization is usually conceived as a process of integration to an international economic, political, and cultural system, capitalist development, investment expansion and integration, and capitalist production and markets propitiated by new technologies, it has also led to local processes of resistance and wider social movements through which people seek to protect their territory, cultural identity, and autonomy (Gimeno and Palenzuela, 2005). In the case examined in this paper, we see how traditionally excluded sectors of society (indigenous people, peasants, women) have taken advantage of the limited opportunities available during a period of crisis and advanced local processes of self-management, autonomy, and resistance. These have led to further social and political empowerment. The EFL system, which was initially introduced on a local scale, has expanded nationally after several years of history and organization.

Finally, the transnational approach to this subject has allowed us to show that migrants' remittances can have a wide variety of meanings and that the social element of this transnational process is founded on responsibility, solidarity, reciprocity, belonging and/or national loyalty. «Place» is key to this transnational commitment. As Mato puts it «place continues to be very important to the social actors participating in these types of processes, which are sometimes classified as 'deterritorialized' and are usually associated with the concept of globalization» (Mato, 2006). In the case of the EFLs, we have shown and analyzed the deterritorialized logic behind the remittances as well as the latter's process of reterritorialization; that is, these two categories complement each other. As Mato points out, the concept of deterritorialization is often used liberally and without being accompanied by its partner, reterritorialization. In this case, the money made in places like Spain, Italy or the United States is sent back to Ecuador in the form deterritorialized financial flows. Once they arrive they are channeled through the EFLs and become reterritorialized when, in the form of credits, they proceed to contribute to local wealth. EFL members are quite aware of this process when they point out that their system is a «nationalist mechanism» that seeks to prevent the drain of local resources and their transfer to larger urban centers or other countries.

This is a process that comes «from the bottom», is endogenous in character, and led by grassroots organizations. It is managed by local women and men and has a unique concept of local development. This is based on adversity, effective responses to particular communal needs, and is connected to the migrant population. The spaces it creates are emancipatory in nature and are consistent with the character of cooperativism and popular finances (i.e., mutual help, democracy, equality, fairness, solidarity; Ortega, 2007b). These elements are not taken into account by the neoliberal model. The EFLs show that local models based on



the strengthening of local human, economic, institutional, environmental, and cultural resources, and the use of resources sent from abroad (in this case the remittances) can indeed contribute to processes of development.

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