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MONEY TRANSFERS TO VENEZUELA

Remittance Flows Amidst Evolving Foreign Exchange

Manuel Orozco
Kathryn Klaas

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Report contents

Introduction

This reports offers an overview of how foreign currency regulations affect money transfers to Venezuela in addition to describing and explaining Venezuelan migrant remitting behavior in six migrant host countries. It also provides an estimate of the aggregate volume of remittances sent to Venezuela.

The first section details how policies regulating local and international currencies have evolved under the Maduro administration, including those related to currency devaluation, the creation of parallel currency regimes and the impact of the sovereign bolivar on money transfers.

The second section provides a comparative overview of remitting behavior to Venezuela from six sending countries: Chile, Colombia, Costa Rica, Panama, Spain and the United States. It offers a profile of those who remit to Venezuela, how much they send, and how many households receive remittances.

The report concludes with estimates of the volume of remittances sent to Venezuela. These estimates are based on remitting behavior and data on the propensity to remit. We find that these flows will grow considerably in the near future and will make an important contribution to the country's households' needs.

This is the first of two reports on money transfers to Venezuela. The second report will address remittance trends since March of 2020. Specifically, we aim to address the prospects of remittance growth given the Covid-19 pandemic and its effect on the sovereign bolivar, Venezuelans' diminished capacity to remit and the return of some migrants and refugees back into the country.[1]

[1] Research support for this report was provided by Laura Porras, who prepared the survey datasets and conducted fieldwork in Costa Rica and the United States. Surveys were carried out by Angelica Vargas (Colombia and Spain), Francisca Solar (Chile), Nicole Ledesma (Costa Rica), and Noris Santamaria (Panama). The surveys in Costa Rica were conducted with support from DAI.

Evolving Currency Regimes and Impact on Money Transfers

National regulations on international money transfers guarantee the movement of funds across borders and through licensed agencies. When regulations are well-written and supportive of market needs, they represent an integral part of a well-functioning payment system for worker remittances. Poorly formed regulations can inhibit market growth, increase informal fund transfers, raise prices for migrants sending remittances, and increase access costs for remittance-receiving families.

Typically six regulatory issues pertain to cross-border payments and financial access: (1) which institutions are authorized to payout international remittances, (2) the limits and requirements on amounts transferred, (3) anti-money laundering measures, (4) recipients' access to foreign currency accounts, (5) transparency and disclosure and (6) the role of microfinance institutions in the remittance marketplace.

In Venezuela, regulations on money transfers are formally the same as in other countries. That is, for a business to perform foreign currency exchange or payments, they need to meet certain criteria, including holding a foreign exchange license. However, because of the macroeconomic crisis, foreign currency controls have taken over any basic criteria on money transfer regulations as a primary procedure determining how money transfer companies operate in the country.

Specifically, under the Maduro administration, regulations and presidential decrees have modified Venezuela's currency exchange regime. These changes have sought to control Venezuela's rising inflation and provide the liquidity in US dollars needed to purchase essential imports, promote and diversify domestic production, pay foreign debt and, more recently, hedge the Venezuelan economy against US sanctions.

In hindsight, issues on remittance transfers were not considered until 2019 when inflows of remittances were perceived as an important source of foreign exchange.

The government enacted Currency Exchange Agreements (CEA, "Convenios Cambiarios") have addressed three issues affecting currency regime(s):

1. Establishing official currency exchange mechanisms for exchanging Venezuelan bolivars for US dollars that set official, parallel exchange rates and, recently, exchange tables run by banks,
2. Creating a new, hard currency, the sovereign bolivar, which is set to replace the devalued strong bolivar,
3. Creating a cryptocurrency, the petro, pegged to the price of a barrel of Venezuelan oil and sold in at least six non-US dollar markets such as the yuan, ruble and euro.

CURRENCY REGIMES AND EXCHANGE RATES[i]

Since 2003, official foreign currency exchange has occurred through a system of foreign exchange markets with mechanisms that are designed, authorized, and run by the Venezuelan government. Between 2010 and 2018, the Maduro administration implemented a series of regulations (CEAs) that modified the country's currency exchange regime.

These changes created a system of official, parallel exchanges that traded currency at a regime-specific exchange rate.[2] The current system involves a single currency regime, DICOM, used for public and private transactions. The exchange rate is set through a managed, floating system based on currency auctions.

Currency regimes can be classified into two groups: the primary regime, which sets the official exchange rate, and parallel regimes that emerge to complement the volume of US dollars available at the official rate.

Until 2016, the official rate was set by Venezuela's national foreign currency oversight body (CADIVI, later CENCOEX).[3] In 2016, regulations introduced a new exchange mechanism, DIPRO, that was overseen by CENCOEX, and the fixed rate assigned to DIPRO became the official rate, replacing CENCOEX. In 2018, DICOM replaced DIPRO for all foreign currency trades.

[2] It is important to note that these rates were and are artificially low compared to the rates available in unofficial, parallel markets, commonly referred to as the black market, that respond to supply and demand.

[3] CADIVI (National Center for Administering Foreign Currency) was established under the Chavez administration. Until being replaced by CENCOEX in late 2015, it was the government entity responsible for foreign exchange, including setting the official exchange rate and administering official, parallel exchange markets. In November 2013, Decree No. 601 created the National Center for Foreign Commerce (CENCOEX). CENCOEX fully replaced CADIVI in late 2015.

Exchange rates offered by parallel exchange mechanisms are at least half that of the official rate. Throughout the Maduro administration, seven parallel regimes have been put in place: SITME, SICAD I, SICAD II, SICAD unified, SIMADI, DIPRO and DICOM.[4] Greater detail about each currency system and their implementation timeline can be found in the Appendix.

Regulations introduced new exchange mechanisms either to complement existing currency regimes or to abolish and replace them. Between 2015 and 2018, Venezuela had up to three official exchange mechanisms, each with its respective exchange rate.

Under both circumstances, the introduction of each new regime partially devaluated the bolivar currency because it indicated that government and the economy could not generate enough US dollars to meet liquidity needs at the lower, official exchange rate. Thus, the government acted to create additional mechanisms that provided US dollars at higher rates.

This "unofficial" devaluation can be seen in official currency devaluations. The official rate was devalued 37% from 4.3 bolivars to 6.3 strong bolivars (Bs.F) against 1 US dollar in early 2013. It stayed at 6.3:1 until 2016 when it was devalued to 10:1 under the DIPRO system. The DICOM rate, which replaced DIPRO in 2016, traded at a rate similar to that of the black-market rate, upwards of 5,000:1.

Each currency regime allocated a predetermined volume of US dollars to be traded on a given exchange mechanism at its corresponding exchange rate. Regulations controlled which sectors, goods and services could be imported and exported at that rate. They also specified which entities (financial institutions, companies, or individuals) were authorized to access US dollars at those rates.

Between 2010 and 2014, exchange rates were fixed and did not fluctuate due to supply and demand. They were set either through regulation (CADIVI, CENCOEX) or government-run auctions that auctioned coupons for buying and selling currency (SICAD I, SICAD II) and set an adjusted exchange rate following the auction. In 2015, SICAD I and SICAD II were unified into a single SICAD system.

Starting in 2015, regulations began to introduce parallel currency exchange mechanisms that offered floating market rates. SIMADI was the first of these systems in 2015 until it was replaced by DICOM in 2016. Although the fixed rate SICAD I rate was measured at approximately 12:1 and the SICAD II rate at 50:1, the SIMADI rate has since reached upwards of 700:1 and DICOM has topped 5,000:1.

Over the course of the administration, official exchange rates (CADIVI, CENCOEX, later DIPRO, then DICOM) have been reserved for priority imports such as food and medicine and state payments in sectors like education and health. Goods qualified for the official rate have become increasingly restricted, as have the types of entities that are authorized to use these mechanisms for trading currency.[5]

REFORMS AFFECTING HARD CURRENCY

In addition to the evolving regulations affecting currency exchange, the Maduro administration announced reforms affecting hard currency.

In March 2018, the administration announced monetary reforms to come later in 2018 that would introduce a new official currency, the sovereign bolivar, and devalue the strong bolivar at a proposed ratio of 1 strong bolivar to 1,000 sovereign bolivars.[ii]

[4] SITME was created in 2010 and replaced by SICAD I in March 2013. SICAD II was introduced in March 2014 to complement SICAD I. Both auction mechanisms were unified during February 2015 and were complemented by a new free-market mechanism SIMADI. Official exchanges (CADIVI and CENCOEX) operated during their respective periods. This system was revamped in March 2016. DIPRO replaced the official CENCOEX exchange rate, DICOM replaced SIMADI, and SICAD remained in effect for special auctions. This triple exchange system was unified under DICOM in January 2018 when DICOM became the sole currency control regime.

[5] Currency exchange mechanisms have included an electronic system reserved for securities in foreign denominations (SITME), a set of complementary currency auctions (SICAD I, SICAD II) open to authorized firms, a free-floating market (SIMADI), and an adjusted market (DICOM). Auctions sought to complement the volume of dollars offered by official means (CADIVI, later CENCOEX). Market mechanisms were introduced to capture currency trade carried out on the black market by those unauthorized to use official exchanges.

These reforms took effect in August 2018 and the sovereign bolivar became the country's primary currency and was set to replace the strong bolivar after a transitionary period. The government valued the sovereign bolivar at 3,600 to 1 US dollar, which was equivalent to 360 million strong bolivars.

This revaluation of 1:100,000 starkly contrasts with proposed ratio of 1:1,000 initially proposed when the reforms were originally announced earlier in 2018. It also meant devaluing the official exchange rate by 96%.[iii] With this move, the currency's actual value, in strong bolivars, became similar to the black market.

The government also issued its own virtual cryptocurrency, the petro, partly in response to US sanctions.[iv] The petro is pegged to the sovereign bolivar and tied to the price of a barrel of Venezuelan oil. It is available for purchase in at least six non-US currency markets, including the Russian ruble and the euro. The National Superintendence of Crypto and Related Activities (SUNACRIP) was created in 2019 as part of a 10-year Comprehensive National Plan for Crypto Activities.[v]

Other governmental actions affecting hard currency involved steps taken to reduce the volume of US dollars used in foreign exchange.

For example, in 2017, the national oil company, PDSVA, temporarily ordered oil- related transactions to be only conducted in euros; the euro continues to be the primary currency used for these exchanges.[vi] In October 2018, the administration announced that DICOM foreign exchange auctions would only quote rates in non-US dollars currencies.[vii]

IMPACTS ON PERSON-TO-PERSON MONEY TRANSFERS

This increasingly restrictive environment forced buyers and sellers to use parallel, official and unofficial markets offering less favorable rates. One of the consequences of this period was that money transfer operators were unable to offer attractive remittance payments in local currency or US dollars.

Licensed money transfer operators paying in local currency had to operate through restrictive exchange rate regulations that hindered them from offering competitive, local currency to remittance recipients.

This situation largely explains why many of the leading operators such as Western Union and MoneyGram reduced their presence; it was expensive to transfer money and pay competitively (vis-à-vis the parallel market).

This situation only changed recently, when in May 2019, the administration announced that local banks and foreign exchange houses could be allowed to perform more foreign exchange transactions.[viii]

Part of this move is related to a shift seeking to increase access to Euros over US dollars. One of the consequences of this decision included less restrictive money transfers from Europe for Euro payments paid in sovereign bolivars so that Venezuelans in Europe, particularly Spain, would send Euros to Venezuela.

In fact, one of the end results of partial liberalizing currency restrictions and exchange rate controls has been an increase in both the number of money transfer companies entering Venezuela as well as paying entities offering payment services in Venezuela.

The motivation for entering the market is largely due to the fact that the gap between the official exchange rate and that of the parallel market narrowed relative to pre-2018 periods with the introduction of DICOM.

During January 2020 alone, the exchange rate differential between the official exchange rate and the parallel market was 10% at most, as opposed to over 100% solely under the strong bolivar.

Remitting Behavior and the Money Transfer Marketplace: Chile, Colombia, Costa Rica, Panama, Spain and the United States

In countries such as Venezuela experiencing an extreme economic crisis, cash remittances do not follow the same patterns as in other countries.

First, using formal money transfer systems (if authorized) is prohibitively expensive because exchange rates are set to transfer money at official rates. Businesses struggle to operate in places with difficult circumstances and strict transfer controls, making exchange rate costs very expensive for them. Cash remittances are also less useful when extreme hardship is shaped by scarcity of all sorts. Therefore, most migrant families focus their attention on sending "in kind" goods such as food, toiletries, or medicines.

Because of scarcity, the price of goods is extremely expensive, and sending money to buy them makes less sense because it of the high cost to purchase them. This section looks at the money transfer marketplace for the main destination countries that host Venezuelan migrants: Chile, Colombia, Costa Rica, Panama, Spain and the United States.

For each destination, the report briefly describes the profile of migrants with a focus on aspects that are useful for understanding trends in remittance transfers as well as the money transfer marketplace itself. These include the size of the migrant population, their migration status, occupation, income and plans to return to Venezuela or stay in their host country and bring their family.

The reports then reviews migrants' remitting behaviors, including the average amount and frequency of transfers as well as the mechanisms used to send money.

The last section explores the prevalence of in-kind transfers. The information in this section is based on surveys with 800 respondents carried out by Manuel Orozco in each host country between 2018 and 2019.[6]

Overall, the average remittance varies among host countries, with average amounts ranging from $40 for remittances sent from Colombia to $175 for those sent from Spain. Furthermore, although the general profile of migrants is similar, their remittance behavior differs notably between host countries.

VENEZUELANS IN CHILE

Venezuelan migration to Chile is recent, and migrants surveyed had lived in Chile for an average of 1.1 years. Most have temporary migration permits, although an estimated 10% do not have migratory documents that legalize their status.

Forty-seven percent plan to return to Venezuela, yet 39% plan to stay in Chile and want to bring their family from Venezuela.

Over half (56%) of Venezuelans in Chile work in non-professional technical occupations, with another 24% working in sales.

With an average monthly income of $500, this population earns slightly less than the average income for all international migrants in Chile ($550). For 21% of Venezuelan migrants, the most difficult part of migrating has been finding work.

Regarding remittance behavior, Venezuelans in Chile send an average remittance of $158 and remittances are sent, on average, twelve times per year. Annually, senders remit an average of $1,800 from Chile, and 43% send funds to more than one person.

Remittances are sent through mechanisms that differ widely from those used by migrants of other nationalities, who primarily use agents.

Most Venezuelans do not use agents from money transfer companies or banks to send funds. Furthermore, only 27% of Venezuelans in Chile have a bank account in Chile but 43% have an account in Venezuela.

TABLE 1: REMITTING BEHAVIOR AMONG VENEZUELANS, BY MIGRANT HOST COUNTRY, (AVERAGES)
Source: Orozco, Manuel. Surveys conducted by the author, 2018, 2019

	Chile	Colombia	Costa Rica	Panama	Spain
Principal sent, USD	$158	$40	$136	$214	$175
Frequency per year	12.4	11.7	15.4	8.9	12.0

[6] Includes 99 Venezuelans in Chile, 436 Venezuelans in Colombia, 75 Venezuelans in Panama, 75 Venezuelans in Costa Rica, and 100 Venezuelans in Spain. This material was used for the report, *Latin American and Caribbean Migration from Failing States*, 2019. Washington, DC, Inter-American Dialogue.

VENEZUELANS IN COLOMBIA

Colombia hosts the largest volume of Venezuelans residing abroad. While 38% plan to return, 64% have plans to stay in Colombia and nearly all want to bring their family. Sixty-eight percent of Venezuelans in Colombia do not have legal migration status, while 24% have temporary permits.

In Colombia, Venezuelans primarily work informally (42%) or in non-professional, technical occupations (32%) and sales (7%). For 61% of this group, their monthly income falls between $186 and $265 and 26% earn less than $186 monthly. Forty-one percent of respondents reported that the hardest part of getting to Colombia was finding a job.

Compared to other countries included in this analysis, Venezuelans in Colombia, on average, remit the lowest annual and per transfer amount. The average remittance transfer totals $40, while the total amount sent annually averages around $445. Transfers are made once a month on average. Forty-seven percent also send funds to more than one person.

Formal money transfer mechanisms prevail among Venezuelans in Bogotá. The majority send funds through an agent, followed by a bank. Pick-up may not occur in Venezuela but rather in Colombian cities close to the border, particularly Cúcuta.

VENEZUELANS IN COSTA RICA

Costa Rica differs from other host countries considered for this analysis in that Venezuelans residing in Costa Rica have lived in the country for an average of 4.1 years. This compares to 1-2 years in other countries. Thoughts on staying are split between planning to return to Venezuela (38%) and planning to stay in Costa Rica and eventually bring family (34%).

The average monthly income is $675. Approximately half of Venezuelan migrants work in a non-professional, technical occupation, while another combined 18% work in sales or as office assistants. An estimated 10% are unemployed.

On average, remittances are sent from Costa Rica 14 times a year and the average transfer amount is $136, for a median annual transfer of $1200. Sixty percent of senders are remitting to more than one person.

These remittances are primarily sent via informal channels other than agents and banks. This practice contrasts starkly with the remitting behavior of migrants of other nationalities living in Costa Rica, the majority of whom use licensed agents.

Field work indicates that Venezuelans who do not send via agents and banks may send funds through a third-party account, such as friends' account.

VENEZUELANS IN PANAMA

The majority of Venezuelans in Panama either have a temporary migration permit (51%) or are legal residents (37%). Only an estimated 5% lack legal migration documents. One-third are considering returning to Venezuela, while 40% plan to remain in Panama, nearly all of whom want to bring their family.

For approximately half of these migrants (55%), their monthly income is less than $500, while one-third earn between $501 and $650 per month.

Most work either in a non-professional, technical occupation (36%) or in sales (35%). Similar to their counterparts in Colombia, nearly half (44%) report that the most difficult part of migrating was finding a job.

Approximately half of migrants earn an average income of less than $600 per month, while one-third earn a monthly income between $501 and $650. They remit a median amount of $1,500 annually. The average remittance equates to $214, and transfers are made an average of eight times a year.

Venezuelans residing in Panama primarily transfer funds to Venezuela via formal mechanisms. Agents capture the largest percentage of transfers followed by banks.

However, surveys indicate that these transfers may involve an intermediary account not owned by the migrant. For example, the funds may be deposited through a third-party account, such as a friend's account. Venezuelans also use informal money transfer mechanisms more often than migrants of other nationalities living in Panama.

VENEZUELANS IN SPAIN

A large majority of Venezuelans in Spain have documents that legalize their migratory status (85%). A notable percentage are citizens (38%), while another 23% are residents and 24% have a work permit. Nineteen percent intend to return to Venezuela, while 66% plan to stay in Spain. Unlike in the other countries considered in this analysis, the desire to bring family to Spain is not universal among those planning to stay.

Common occupations include housekeeping, custodian, caregiver and nanny, beauty stylist and, to a lesser extent, sales and non-technical professions. Unlike Venezuelans living in other host countries, finding a job does not stand out as the most difficult part of migrating Spain.

Although 21% consider finding a job to be the hardest part of migrating, finding housing (33%) and obtaining legal migration status (28%) seem to be considered greater challenges.

Venezuelans in Spain send an average remittance amount of $175 (158 Euros), and transfers are sent an average of 10.4 times per year. Sixty-eight percent send transfers to several people.

These funds are overwhelmingly sent through agents of money transfer companies. Eighty-seven percent of all money transfers are conducted through an agent, while only 3% of transfers are sent through banks.

Other informal mechanisms such as travelers, are also infrequent and represent only 3% of transfers. The degree of formal banking access is also noteworthy among Venezuelans in Spain. Forty-four percent have a bank account in both Spain and Venezuela, while 39% only have an account in Spain. Another 15% have an account in Venezuela, but not in Spain.

VENEZUELANS IN THE UNITED STATES

According to the US Census there are over 400,000 Venezuelans in the country. Most Venezuelans who send money from the United States perform informal fund transfers.

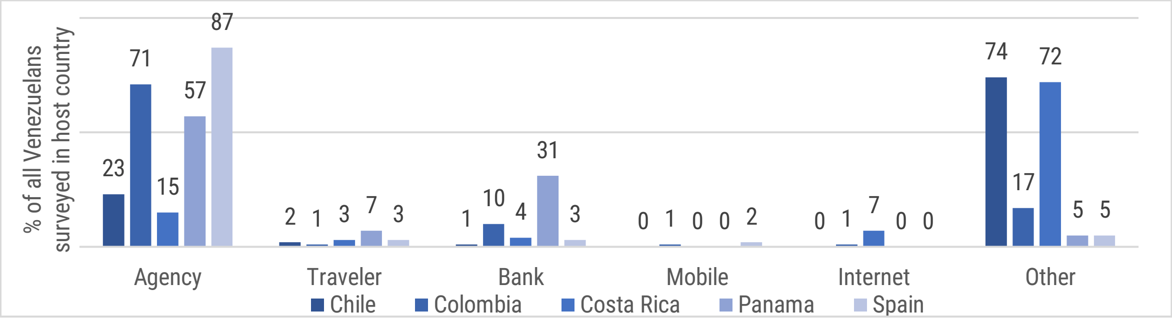
The transfer method of choice is to send money to a Venezuelan holding a US bank account; this person may or may not have a local business in Venezuela. This person then uses their funds in Venezuela to transfer bolivars at parallel or black-market rates to the sender's relative. Often, the transfer is done from one Venezuelan account to another and is paid in cash, with the relative retrieving the money.

This method is a partial 'hawala' mechanism in so far as it allows the intermediary to access US dollars for future transactions in Venezuela, such as importing of goods to the country, or converting its own local currency into dollars by way of selling it to others for small fees.

This procedure is more common among Venezuelans in the US largely because this is a more established community and the type of intermediary that offers this transaction is likely to be a merchant who performs imports from Venezuela and travels on a regular basis. Interviews with Venezuelans in the US also highlight that they often use mobile wallets to transfer these funds.

Other people rely on travelers who keep ledgers of individual names for whom they perform payments. Cash is not hand carried, but payment is made in Venezuela at odd commercial locations or personal homes. The average amount transferred is typically above $300.

FIGURE 1: PREVALENCE OF MECHANISMS FOR SENDING MONEY TO VENEZUELA, BY HOST COUNTRY (%)
Source: Orozco, Manuel. Surveys conducted by the author in 2018 and in Spain in December. 2019.



Estimating Remittance Flows: Sending Money to Venezuela as an Emerging Lifeline

Historically, remittances to Venezuela have not had much presence in the country's balance of payments and migration was relatively small compared to Venezuela's total population. The World Bank reported amounts under $100 million in the first decade of 2000. However, remittances have grown more relevant as the country has fallen deeper into crisis.

For countries like Venezuela, a smaller share of their migrant population is sending money due to lack of prevailing payment systems, lack of regular access to a trusted money carrier and/or the fact that money is not as practical as "in kind" materials. A Consultores21 study noted that 40% of Venezuelans receive remittances regularly, or 2.8 million recipients.

Typically, residents in countries with severe economic crises or state fragility issues receive no more than $2,400 annually in remittances. However, the amount sent to Venezuela is generally higher than that sent to countries with severe violent internal conflict, such as Zimbabwe, Haiti, Somalia and South Sudan.

Moreover, given current economic conditions in Venezuela, with a dramatic loss of per capita income and significant loss through exchange rate controls, amounts sent reflect cost of living conditions.

Because the need for foreign currency has grown in light of a drastic decline in oil revenue, Venezuela is becoming a dollarized economy, and family remittances are increasingly taking on more importance as a source of money.

Because the economy is cash strapped, money received from relatives, even in small amounts, is contributing to survival. Based on some assumptions, Ecoanalítica stressed that remittances could have increased to up to $3.7 billion in 2019.

Although Econanalítica does not offer a clear methodological explanation, under the new foreign exchange environment, a 30 percent increase in migration would increase the remitting scenario substantially to at least $3.5 billion.

Specifically, given the changes in Venezuelan currency, foreign exchange restrictions that increase access for money transfers and business operators, and the fact that migration is likely to continue (50 percent of migrants in the host countries analyzed for this report say they will bring their relatives, not only as a crisis driven factor, but as related to transnational ties), the flow of remittances to Venezuela is now an important commodity and the second largest source of foreign earnings after oil.

The table below (Table 2) uses statistics from international migration estimates as well as our surveys on the average amount and frequency of transfers as well as the propensity to remit among 70 percent of adult migrants.

We estimate that remittance flows are reaching over 2 million recipient households[7], which equates to more than 35 percent of the country's households. In fact, given the economic situation in the country, remittances now account for 5 percent of Venezuela's GDP.

Our estimates indicate that remittances to Venezuela reach over 2 million households. This equates to at least 35 percent of the country's households.

[7] Many migrants, at least 35% say they sent to an additional household, and, on the aggregate, the overlap may account for a reduced number of unique recipient households.

TABLE 2: VENEZUELAN EMIGRATION AND REMITTANCE ESTIMATES

Source: Orozco, Manuel. Data based on surveys conducted in Chile, Colombia, Panama to Venezuelan migrants. Interviews with money transfer operators. For 2019, https://r4v.info/es/situations/platform, and RMRP, Refugees and Migrants from Venezuela, 2020, https://reliefweb.int/sites/reliefweb.int/files/resources/72254.pdf.

Country where migrants reside	Venezuelan migrants (volume)			70% of adult migrants send 20-25% of their income, USD			Households receiving in 2019	Annual remitted, USD
	2018	2019	2020	2018	2019	2020		
Costa Rica	36,000	39,600	43,560	27,216,000	29,937,600	32,931,360	24,948	1,200
Panama	79,990	87,989	96,788	75,590,550	83,149,605	91,464,565	55,433	1,500
Brazil	50,000	212,400	361,000	47,250,000	200,718,000	341,145,000	133,812	1,500
Chile	84,586	371,200	472,000	79,933,770	350,784,000	446,040,000	233,856	1,500
Colombia	870,000	1,400,000	2,009,000	191,835,000	308,700,000	442,984,500	882,000	450
Ecuador	200,000	330,400	659,000	50,400,000	83,260,800	166,068,000	208,152	400
United States	433,630	446,639	460,038	819,560,700	844,147,521	869,471,947	281,383	3,000
Peru	700,000	860,900	978,000	286,650,000	352,538,550	400,491,000	542,367	650
Spain	202,859	270,000	297,000	306,722,808	408,240,000	449,064,000	170,100	2,400
Rest of countries	579,424	480,872	323,614	547,555,680	454,424,135	305,815,261	302,949	1,500
World	3,000,000	4,500,000	5,700,000	2,432,714,508	3,115,900,211	3,545,475,633	2,835,000	1,250

IN-KIND TRANSFERS TO VENEZUELA

In addition to transferring funds back to Venezuela, Venezuelans abroad send in-kind transfers such as food, clothing, toiletries, and furniture to family and friends.

These goods are sent via travelers or shipping companies, although it is worth noting that shipments made through cargo companies and couriers have fallen as companies are increasingly unable to accept the increased risk of insuring shipments.[8]

In-kind transfers not only help families face the shortages of basic goods experienced in Venezuela as a result of the economic and political crises, they also directly respond to the difficulties in sending money to Venezuela and recurring currency devaluations.

As Table 2 shows, 40% of Venezuelans in Panama send in-kind transfers as do 36% of Venezuelans in Costa Rica and 24% of those in Spain. While only 7% of Venezuelans in Colombia send these goods, they do so with a higher frequency (9.2 times per year) than migrants in other countries.

TABLE 3: IN-KIND TRANSFERS TO VENEZUELA

Source: Manuel Orozco, 2018. Data based on author's own surveys conducted with Venezuelans in migrant host countries and interviews with money transfer operators.

Venezuelans residing in…	Yearly value, USD	Annual frequency (avg)	Cost to send, USD (avg)	% sending in-kind transfers
Chile	$300	3	$21.97	11%
Colombia	$390	9.2	$3.44	7%
Costa Rica	$200	4	$45.00	36%
Panama	$285	3.5	$57.32	40%
Spain	$476	6.4	$39.36	24%

[8] News reports from April 2019 indicate these as reasons for the decline in shipping options between the US and Venezuela, which suggests a broader trend affecting migrants in other host countries: https://www.npr.org/2019/04/02/706586308/a-shortage-of-shippers-for-badly-needed-supplies-of-food-and-medicine-to-veneuzuela

Appendix. Timeline of Regulatory Changes Affecting Foreign Exchange Markets and Rates

In June 2010, CEA No. 18 created the Transaction System for Foreign Currency Denominated Securities **(SITME)** to reduce inflationary pressures related to local currency trading.

SITME was an electronic system that regulated the purchase and sale of foreign currency known as securities, and it gave the Central Bank of Venezuela (BCV) control over local currency traded in international bonds. This system and its respective exchange rate were only open to private entities seeking to import non-priority goods that did not fall under the umbrella of the official rate of 6.3 bolivars to 1 US dollar reserved for priority imports.

In March 2013, CEA No. 21 created the Complementary System for Foreign Currency Exchange Administration I (**SICAD I**). SICADI I replaced SITME and was designed to supplement the volume of foreign currency that CADIVI allocated for priority imports at the official exchange rate at 6.3:1. SICADI I operated through special auctions at which coupons for trading currency at the SICADI I rate of approximately 12:1 were auctioned to sectors and entities designated by the government.

In March 2014, CEA No. 27 expanded this dual system to include a third exchange mechanism. The Complementary System for Foreign Currency Exchange Administration II (**SICAD II**) was an auction system that operated daily to complement the weekly SICAD I auctions. It was open to all companies registered in Venezuela that could not purchase currency at the official rate nor the SICAD I rate. SICAD II offered a rate of 50:1.

In February 2015, CEA No. 33 merged the SICAD I and SICAD II into a **single, SICAD system** and created the **SIMADI** system. During this period, three exchange rates were in effect: the official rate available through CENOEX, the official rate the rate through SIMADI, and the rate through SICAD.

SIMADI was intended to compete with black market rates and was designated for buying and selling foreign currency for individuals and businesses that could not access the SICAD I rate. SIMADI exchange rates were set by the market and reached over 700:1 by the time the system was replaced by DICOM in 2016.

The currency exchange regime was revamped again in March 2016 with the introduction of two new systems, **DIPRO** and **DICOM**. DIPRO replaced the official exchange rate of 6.3:1 set by CENCOEX, DICOM replaced SIMADI, and SICAD remained in effect for special auctions. DIPRO was a fixed rate set by the government at 10:1. It was reserved for essential exports like food and medicine and for state payments in sectors such as education and healthcare.

Both DIPRO and SICAD rates were only accessible to entities authorized by the BCV. DICOM applied for all non-DIPRO foreign currency transactions. The exchange rate was free-floating. It was initially set at 206.92:1 and had reached 673:1 by December 2016. By adding a free-floating rate that more closely matches black market rates, the government hoped to reduce inflation.

Under this new currency regime, regulations also modified who could access which rates. Travelers' dollars, which were previously available at the CENCOEX rate, could only be purchased at the DICOM rate. US dollars required for Venezuelan diplomatic missions would be measured at the DICOM rate, and the Venezuelan government would now buy US dollars from PDVSA, the state oil company, at the DIPRO rate of 10:1 instead of the earlier official rate of 6.3:1.[ix]

This triple exchange system was unified under DICOM in January 2018.[x] DIPRO was eliminated, and DICOM became the sole currency regime for all foreign exchange transactions, private and public. The DICOM rate is set through a managed, floating system based on currency auctions.

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