

Remittances to Latin America and its Effect on Development



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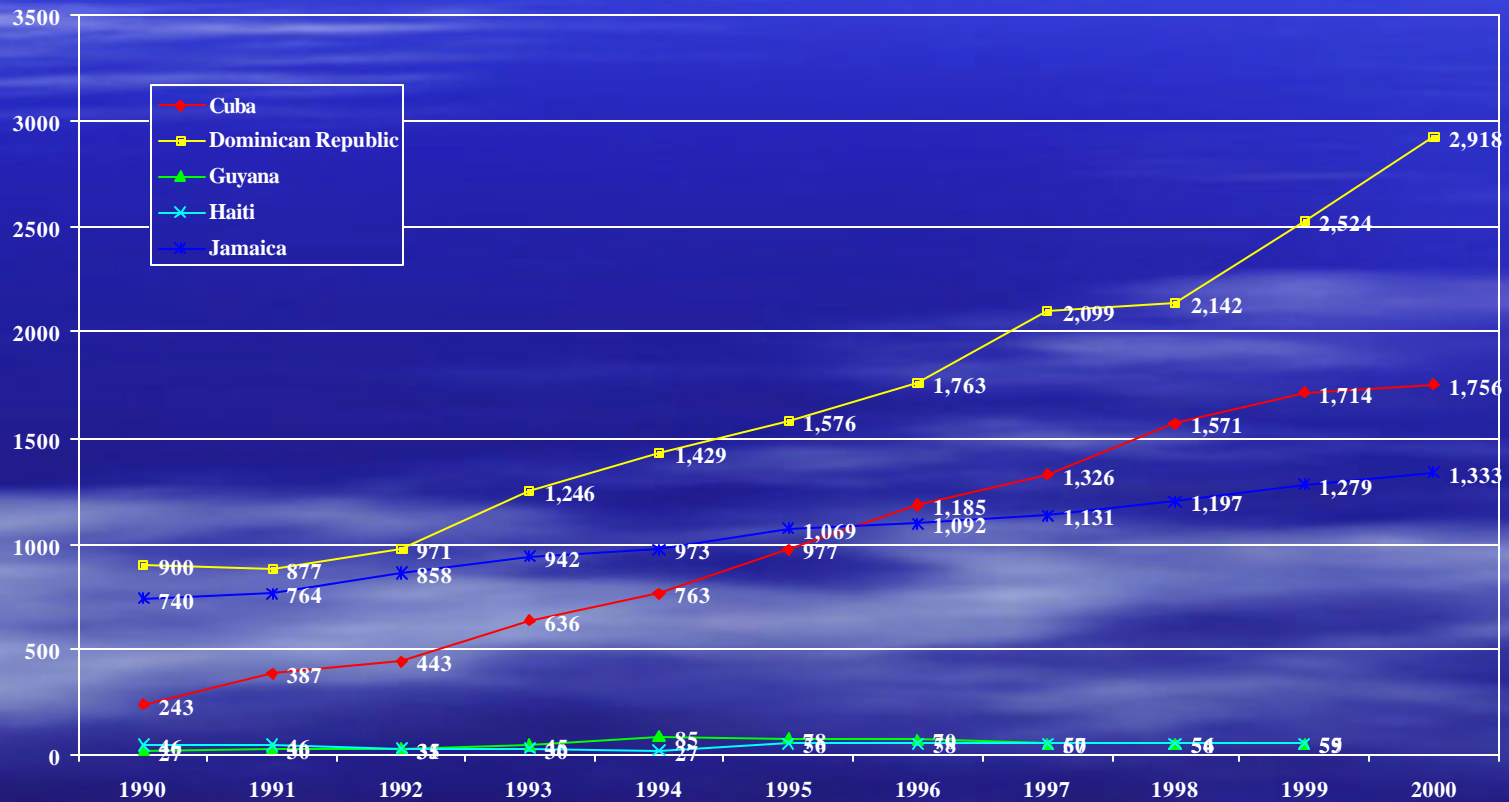
Important Trend and Dynamic of the Late XXth Century
Latin American and Caribbean immigrants have become a key factor integrating Latin America into the global economy

- As investors in small and large business projects
- As grantors for social development
- As consumers of home country goods
- As consumers for transportation, telecommunication and tourist facilities
- As senders of remittances to their families

Monthly Flight Departures from US

Country	Flights	Seats
Cuba	104	
Dominican Republic	1441	226,586
Guyana	23	4,922
Haiti	317	55,858
Jamaica	966	165,289

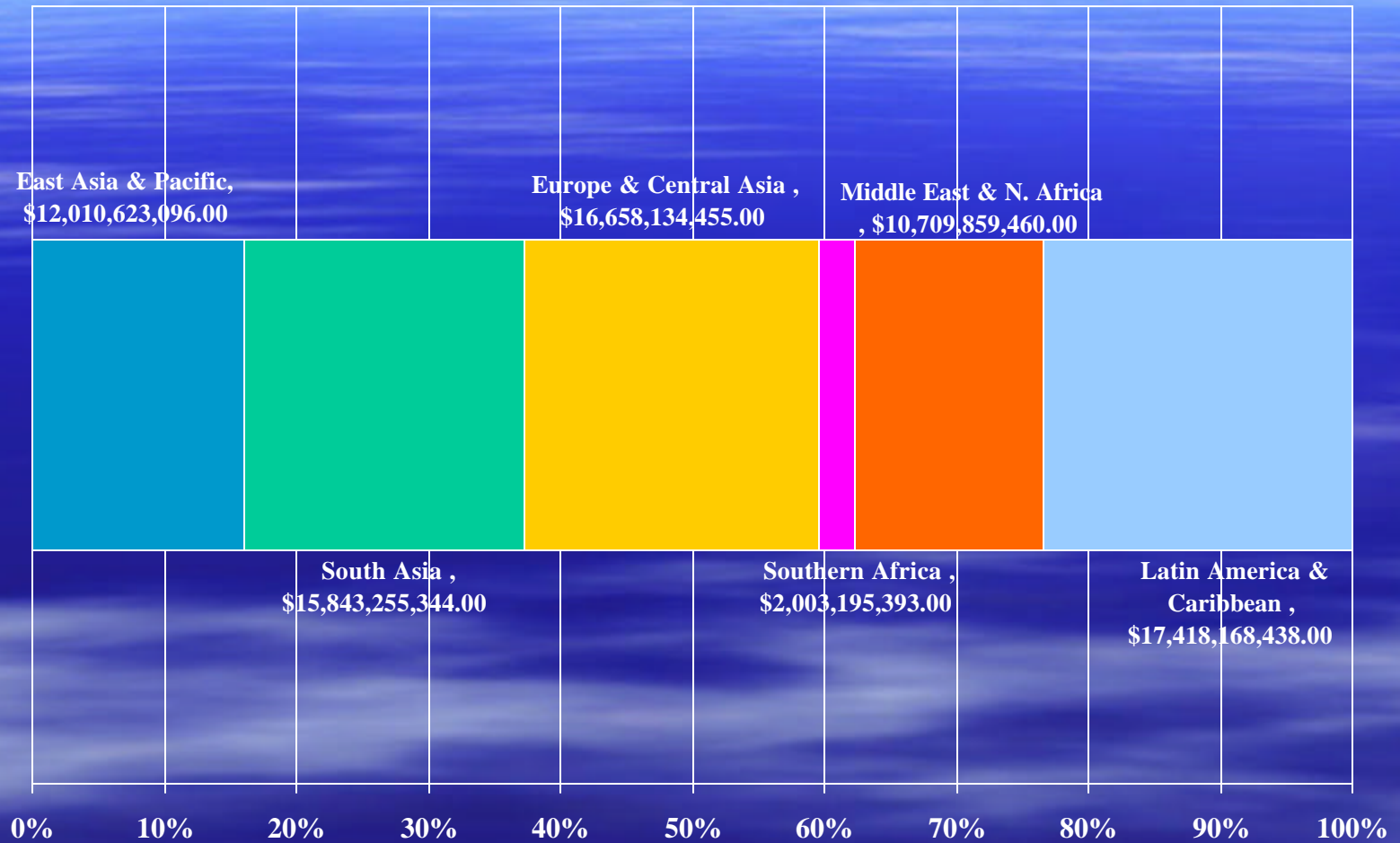
International Tourism Receipts, millions USD



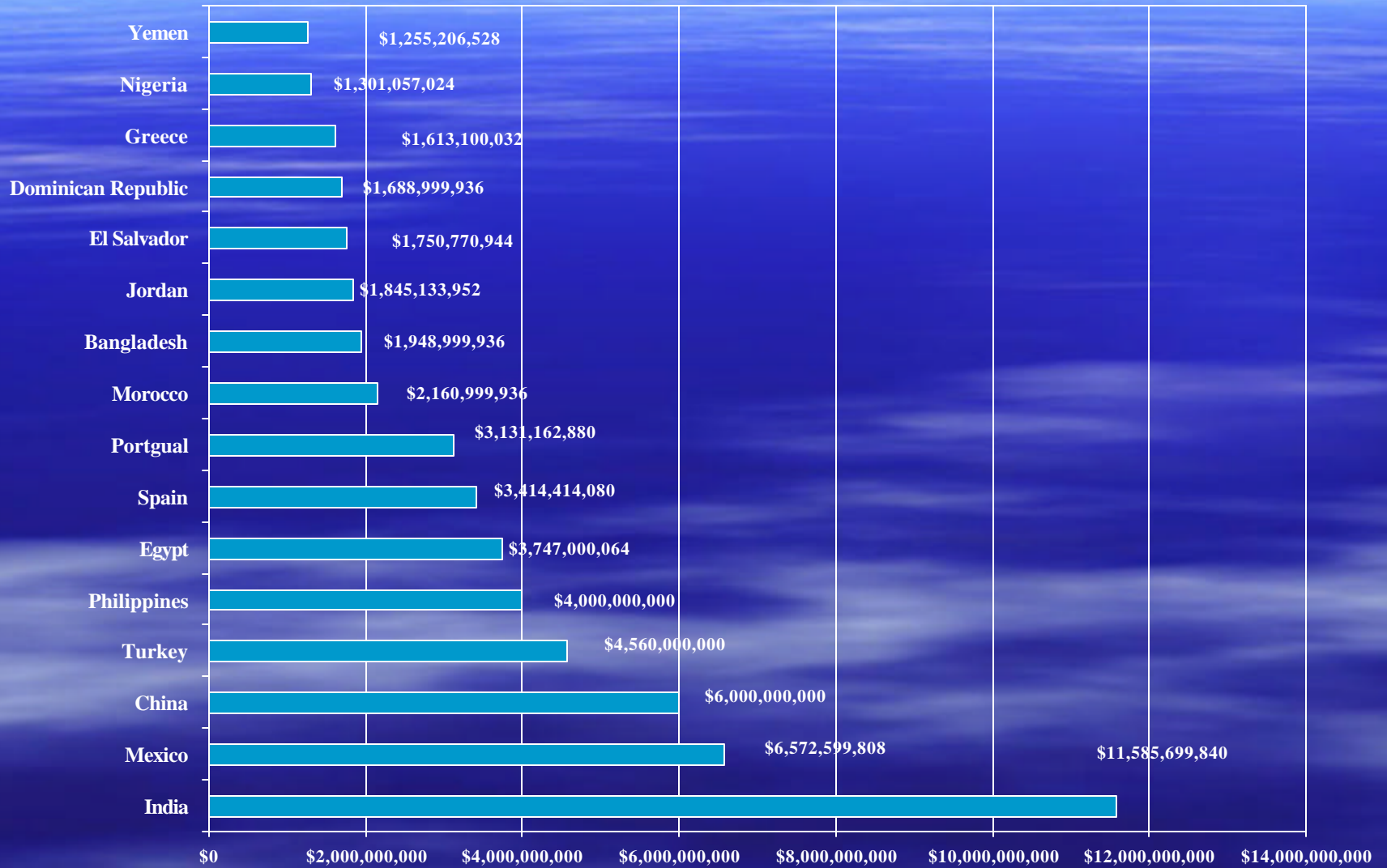
Family Remittances

- Worldwide,
- Latin American and
- Caribbean Trends
 - Haiti,
 - Jamaica,
 - Cuba,
 - Guyana and
 - Dominican Republic

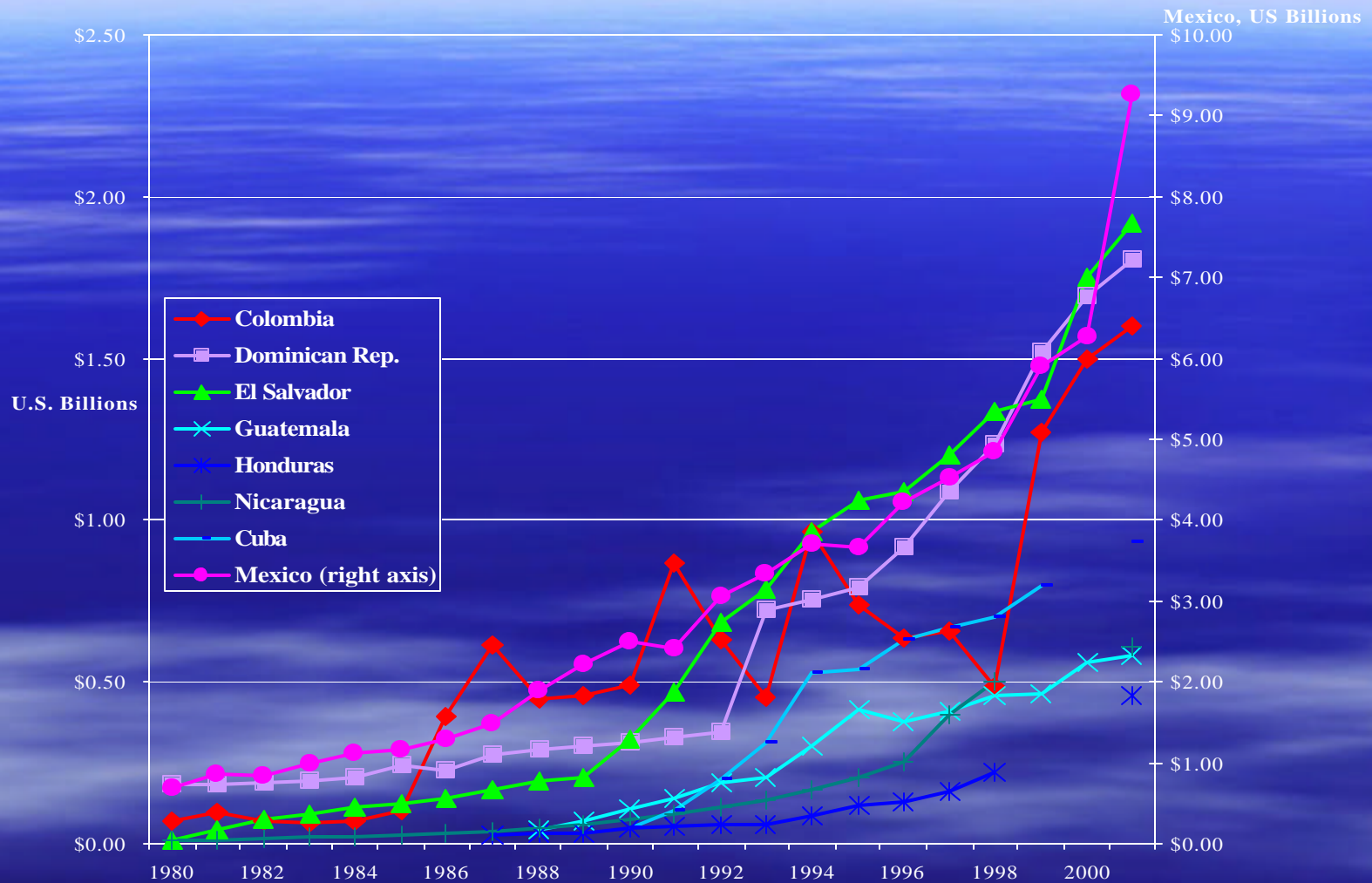
Worldwide Flows of Remittances (2000)



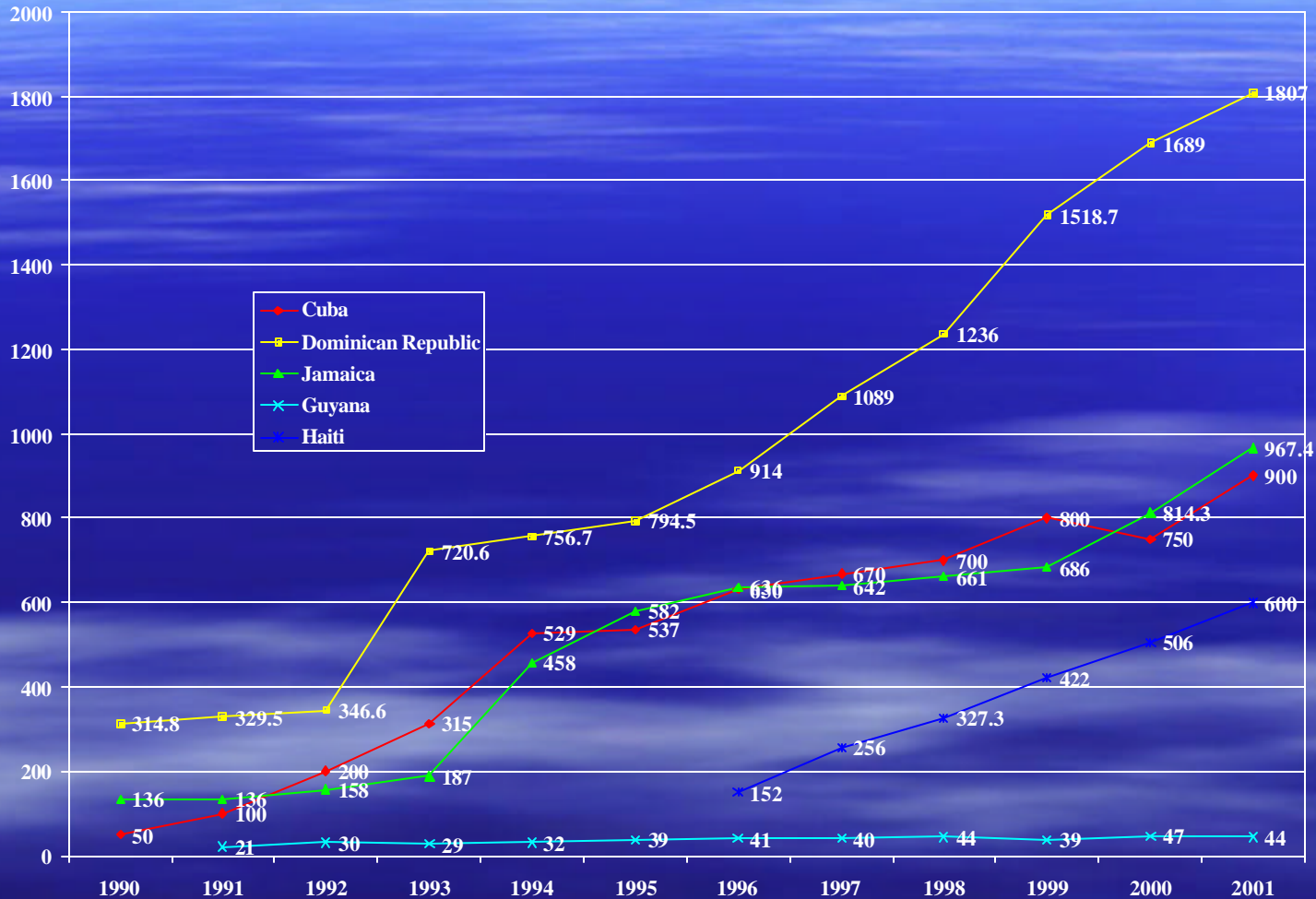
Main Remittance Recipient Countries



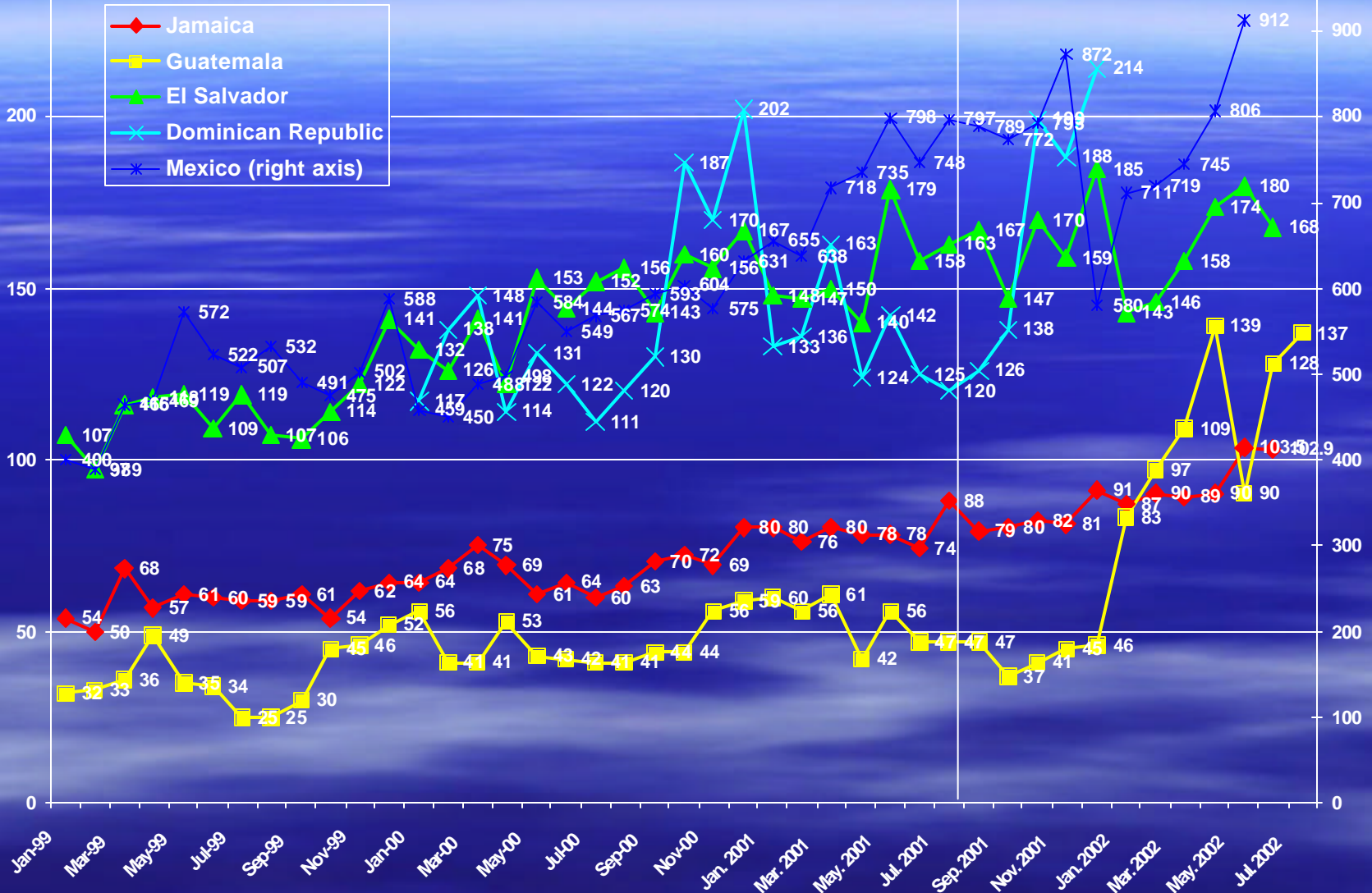
Family remittances to Latin America



Remittances to selected Caribbean countries



Remittances to Latin America (monthly report)



Average Monthly Remittance Transfers

Country	January	February	March	April	May	June	July
Argentina	193	198	193	193	188	198	198
Bolivia	279	282	316	278	268	297	271
Brazil	372	239	275	341	317	427	425
Chile	301	304	293	298	311	318	310
Colombia	269	249	257	262	252	260	263
Costa Rica	381	349	338	376	375	373	374
Ecuador	277	271	269	290	275	296	290
Guatemala	259	257	248	265	271	288	284
Honduras	258	262	264	276	266	264	280
Mexico	379	376	372	394	372	399	380
Nicaragua	139	149	149	148	145	148	149
Paraguay	302	303	292	301	306	340	320
Peru	190	190	198	198	190	188	203
Dom. Rep.	204	209	208	214	202	202	197
El Salvador	250	245	225	242	248	266	224

Key economic and development issues about worker remittances

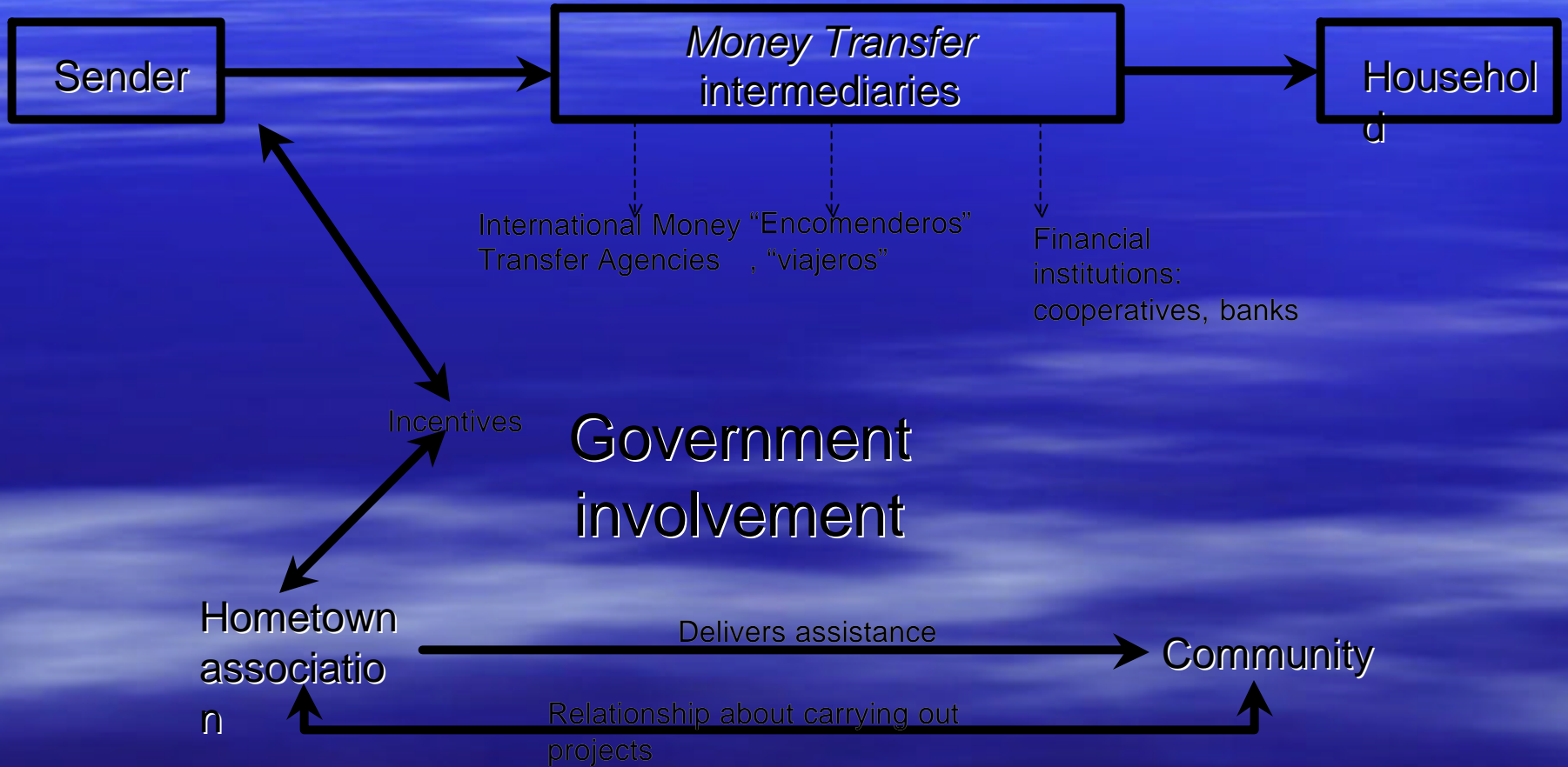
- Macro-economic effect process
- Players in the money transfer
- Multiplying role
- Development Potential of HTAs

Remittances to Latin America and the Caribbean in 2001*

Country	Remittance S (US\$millions)	As % of GDP	As % of Exports
Mexico	\$9,273	1.7	6.5
Brazil	\$2,600	0.4	4.0
El Salvador	\$1,920	17	60
Dominican Republic	\$1,807	10	27
Ecuador	\$1,400	9	20
Colombia	\$1,600	2.1	2.4
Jamaica	\$967	15	30
Cuba	\$930	5	40
Peru	\$905	1.7	10.6
Haiti	\$810	24.5	150
Nicaragua	\$610	22	80
Guatemala	\$584	3.1	16
Honduras	\$460	7.5	17
Bolivia	\$103	1.25	6.71

*Information for Mexico, Central America, and the Caribbean are provided by the countries' Central Banks. Statistics for South American countries (Colombia, Ecuador, Bolivia and Brazil), are likely to be undercounted.

Players in the Transfer of Worker Remittances



Changes in the Transfer of Remittances: An imperfect Market

- Change

- Proliferation of companies,
- Slow but gradual decline in the transfer costs;
- New practices and services provided
- Growing interest of the banking community and governments

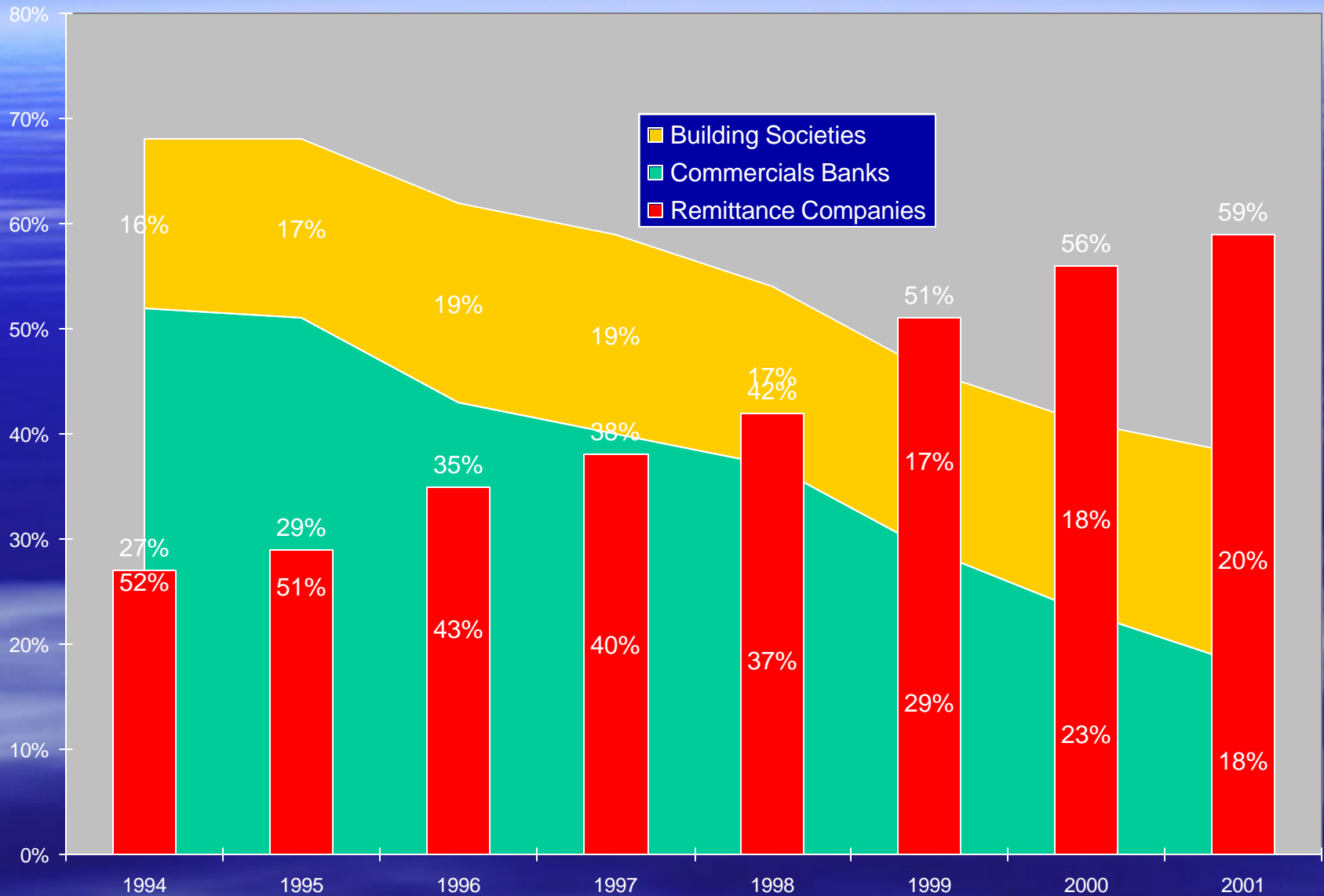
- Continuity

- Charges remain high, as well as exchange rate
- Competition has yet to affect oligopolies
- Little incentives on senders or recipients

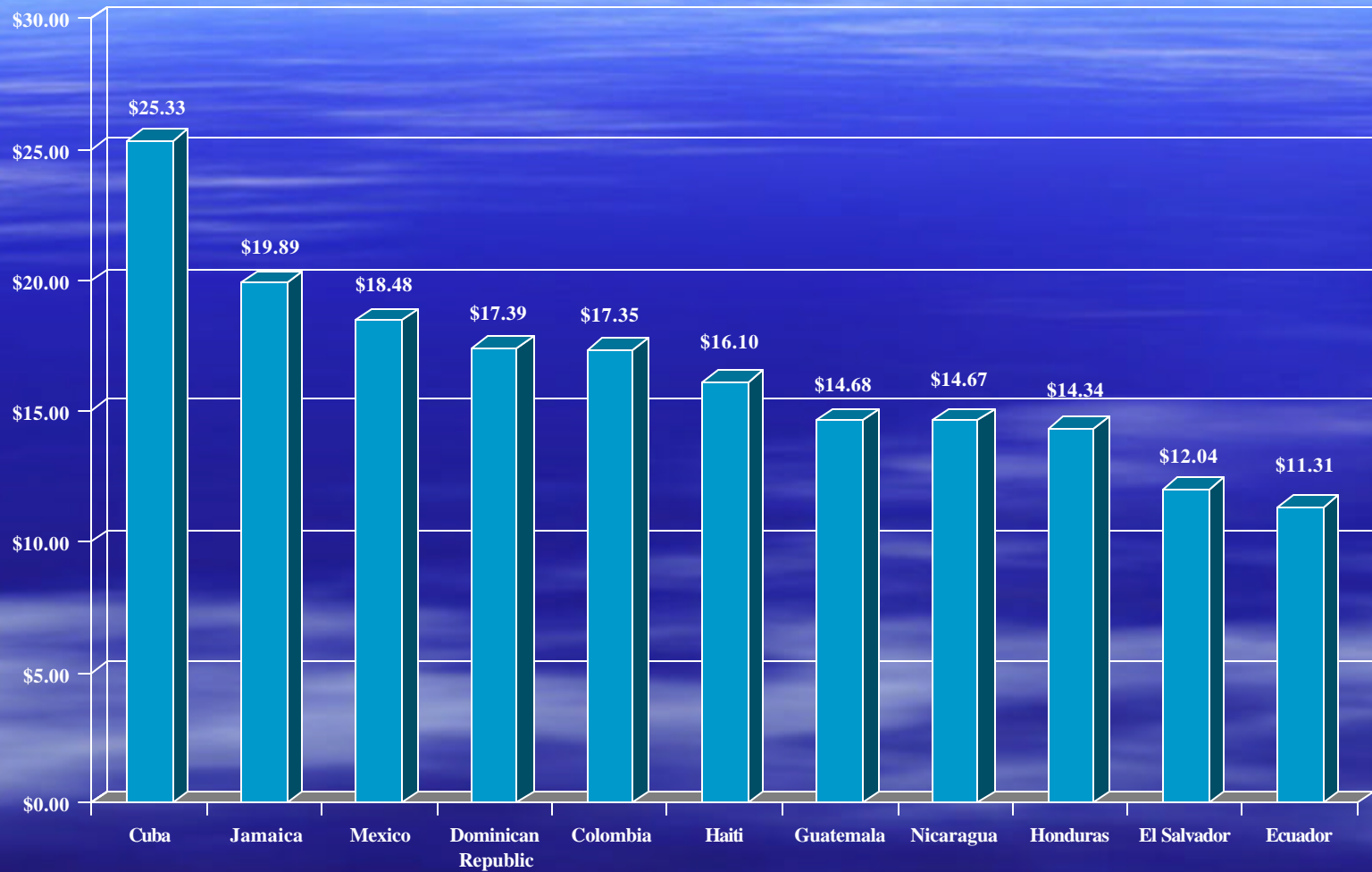
Money Transmitters to the Caribbean

Cuba	Dominican Republic	Guyana	Haiti	Jamaica
Almacen El Español	BHD	MoneyGram	Bobby Express	Jamaica Air Express
Antillas Express	BPD International	Ria Envia	Caribbean Airmail	Jamaica National Overseas
Caribe Express	Girosol	Western Union	Fonkoze	MoneyGram
MoneyGram/Transcard	Envios de Valores La Nacional		Point Transfers	Ria Envia
Quickcash	Mateo Express		MoneyGram	Vigo
Ria Envia	MoneyGram		Uno Money Transfer	Western Union/Grace Kennedy
Sol del Caribe	Pronto Envio		Vigo	
Uno Money Transfer	Quisqueyana		Western Union	
Western Union	Remesa Agil			
	Ria Envia			
	Vigo			
	Western Union			

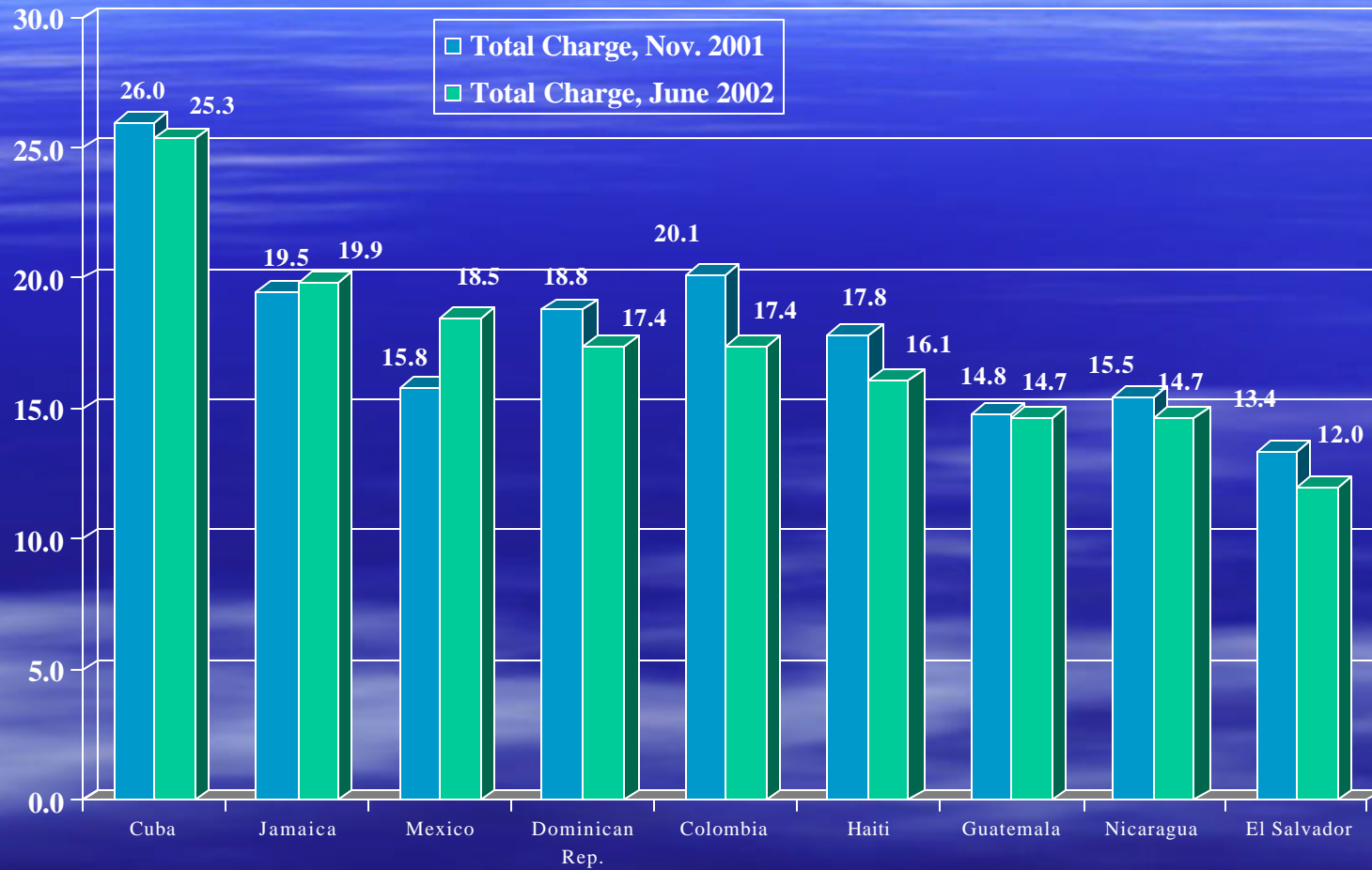
Remittances by industry sector in Jamaica



Average Total Charge to Send \$200, June 2002



Average Total Charge to Send \$200



Multiplying effect of remittances

- Consumption effects: consumption increases a demand for goods and in turn investment. In a village \$1 'migradollar' increases income by \$1.78
- Savings and investment: Ten percent of all recipients save, a smaller percentage invest the money for some business procurement
- Banking effects: Savings rate increase: > 20% of recipients open bank accounts when money arrives at banks.

Development Potential

- Initiatives for development: Hometown Associations
- Development Activities
- Key issues:
 - Project identification
 - Capacity building
 - Follow-up

Policy Implications

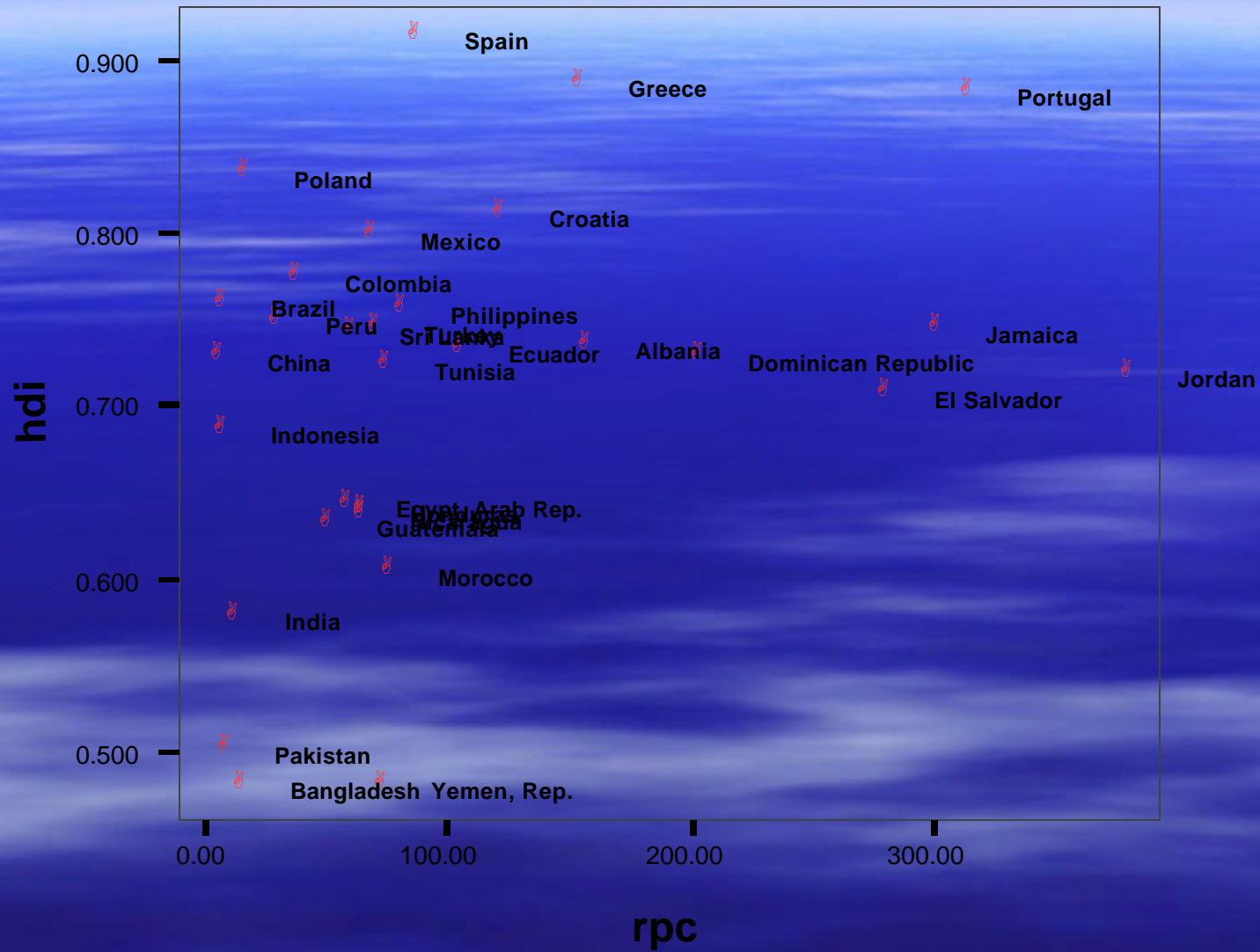
- How can international development organizations address the Latino diaspora as agent of development?
- Rural development and migrants share important feedback
- Empowerment of money recipients (banking)
- Local development efforts
- Can diasporas support development of human capital?

Brain Drain: Cumulative Loss of Migrants from Caribbean to the US

Educational Level	1980s	1990s	2000
Dominican Republic			
No Ed	1.7	1.7	1.8
Primary	12.5	8.9	18.0
Secondary	21.4	26.5	32.1
Tertiary	13.9	13.8	13.3
Guyana			
No Ed	1.3	2.6	2.0
Primary	7.2	10.8	10.7
Secondary	45.2	52.4	66.1
Tertiary	72.8	79.6	75.7
Haiti			
No Ed	0.3	0.8	0.6
Primary	9.6	10.5	15.7
Secondary	24.0	36.1	47.0
Tertiary	62.2	67.7	76.9
Jamaica			
No Ed	1.6	1.7	1.0
Primary	12.6	11.1	9.7
Secondary	57.7	53.0	53.9
Tertiary	71.4	75.2	75.8

Note: Cumulative loss is defined here as the "loss" in percentage terms to the sending country population of emigrants living abroad in the United States. It is measured using U.S. Census data on foreign-born residents by year/class of education, and estimates of the sending country's population by the same class. Cumulative loss then is $CL\% = \frac{USAfb\ Educ\ Class}{(USAfbec + COBec)}$, or foreign-born persons in the USA divided by the number of persons with the same education in the country of birth. Source: Pew Hispanic Center





The International Context of Diasporas

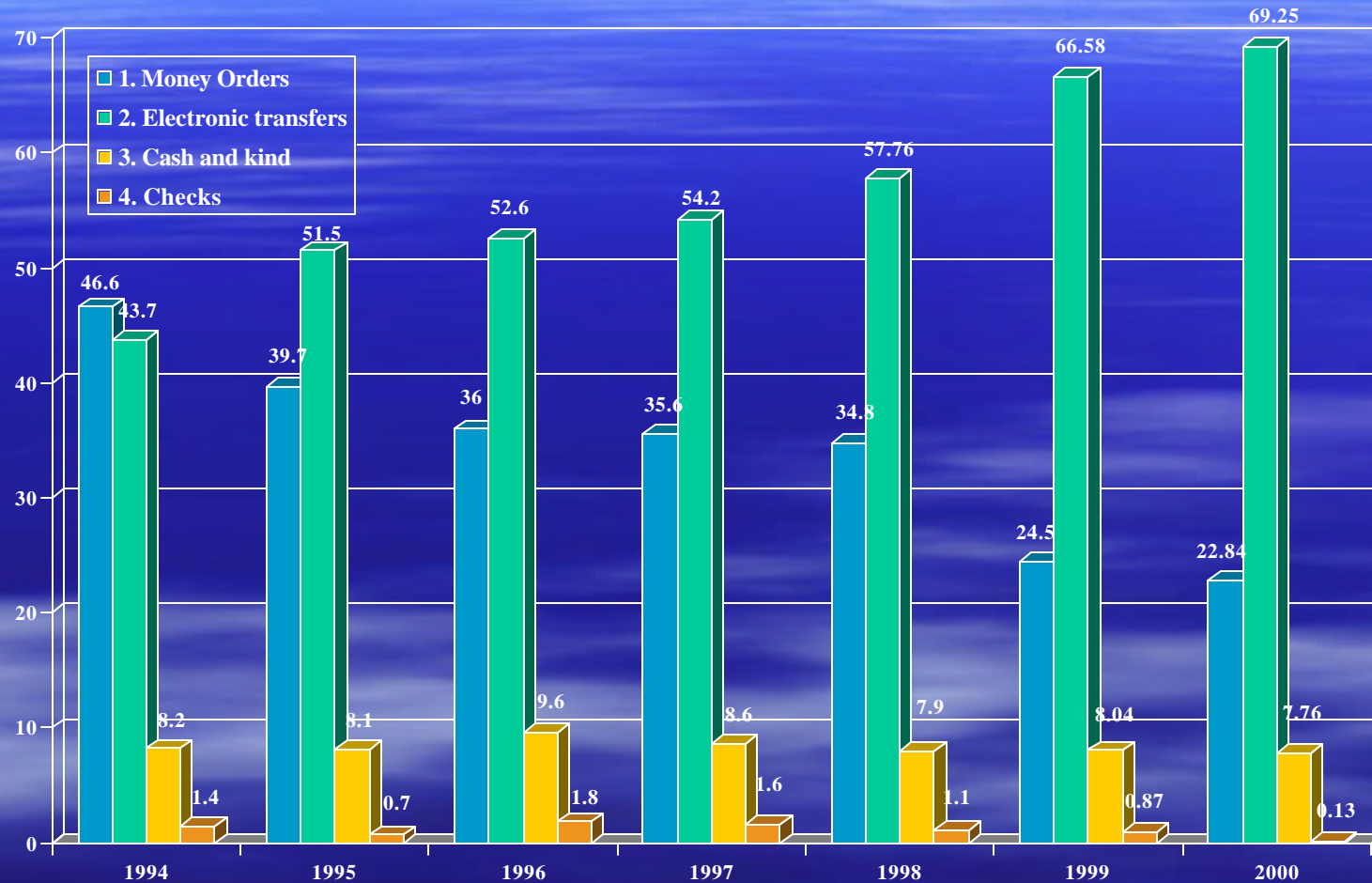


Caribbean Diaspora in the US: Ancestry by State and Percentage of Total

	Cuba	Dominican Republic	Guyana	Haiti	Jamaica
California	64199 (5%)	7276 (1%)		13172 (2%)	18179 (3%)
Florida	850618 (69%)	65213 (7%)	4480 (2%) (only Broward Co.)	266284 (43%)	162658 (26%)
Illinois	11141 (1%)	4150 (less than 1%)		10962 (2%)	11855 (2%)
Massachusetts	5798 (less than 1%)	75813 (8%)		996 (less than 1%)	982 (less than 1%)
New Jersey	74911 (6%)	109850 (12%)		43014 (7%)	26946 (4%)
New York	67880 (6%)	563441 (62%)	16259 (8%) (only Bronx Borough)	181603 (29%)	257671 (41%)
TOTAL US	1228149 (100%)	912501 (100%)	200402 (100)%	618976 (100%)	622217 (100%)

Sustained and increasing flow of electronic money transfers

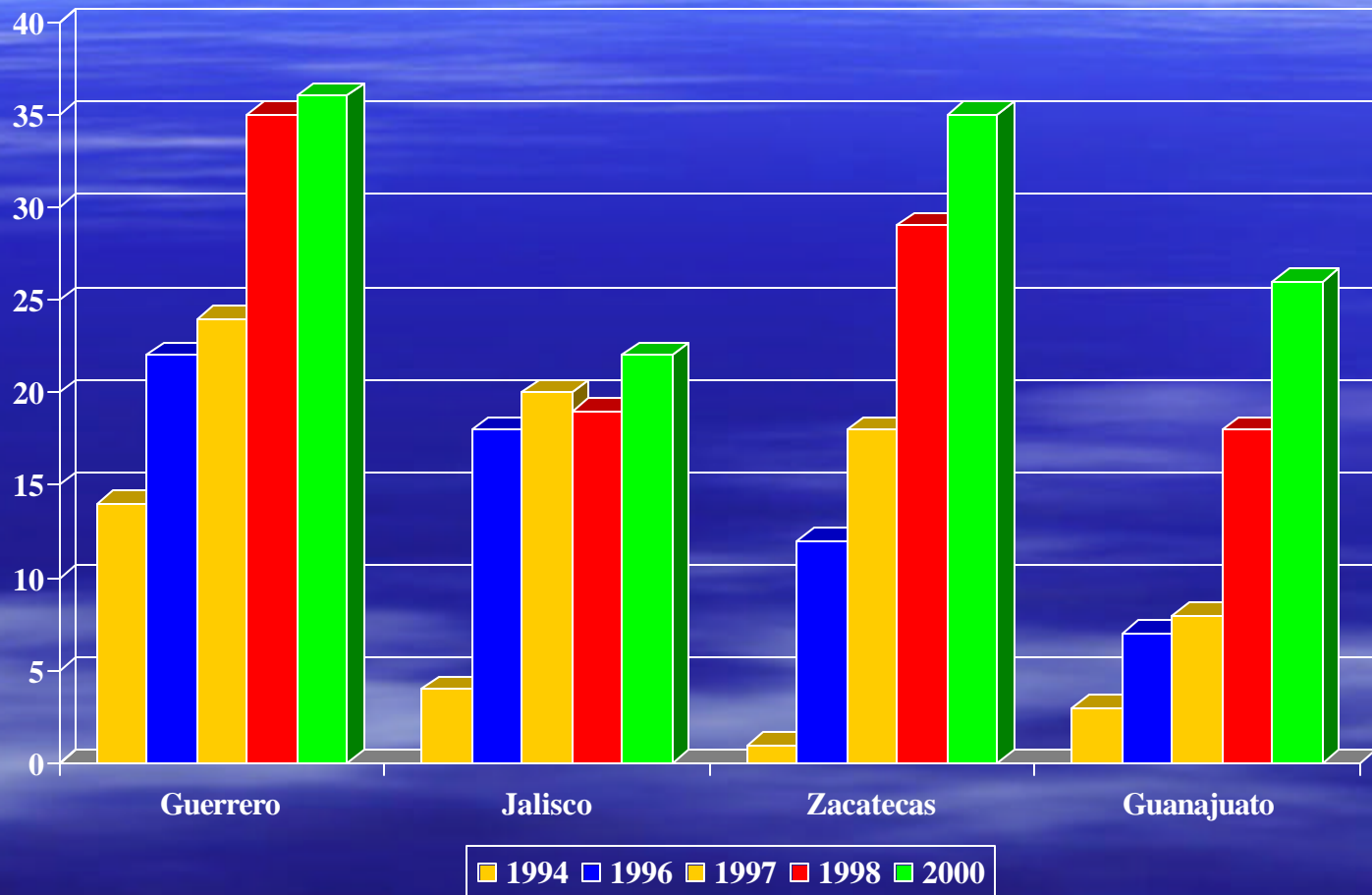
Mexico: Percent Distribution of Remittance Transfers



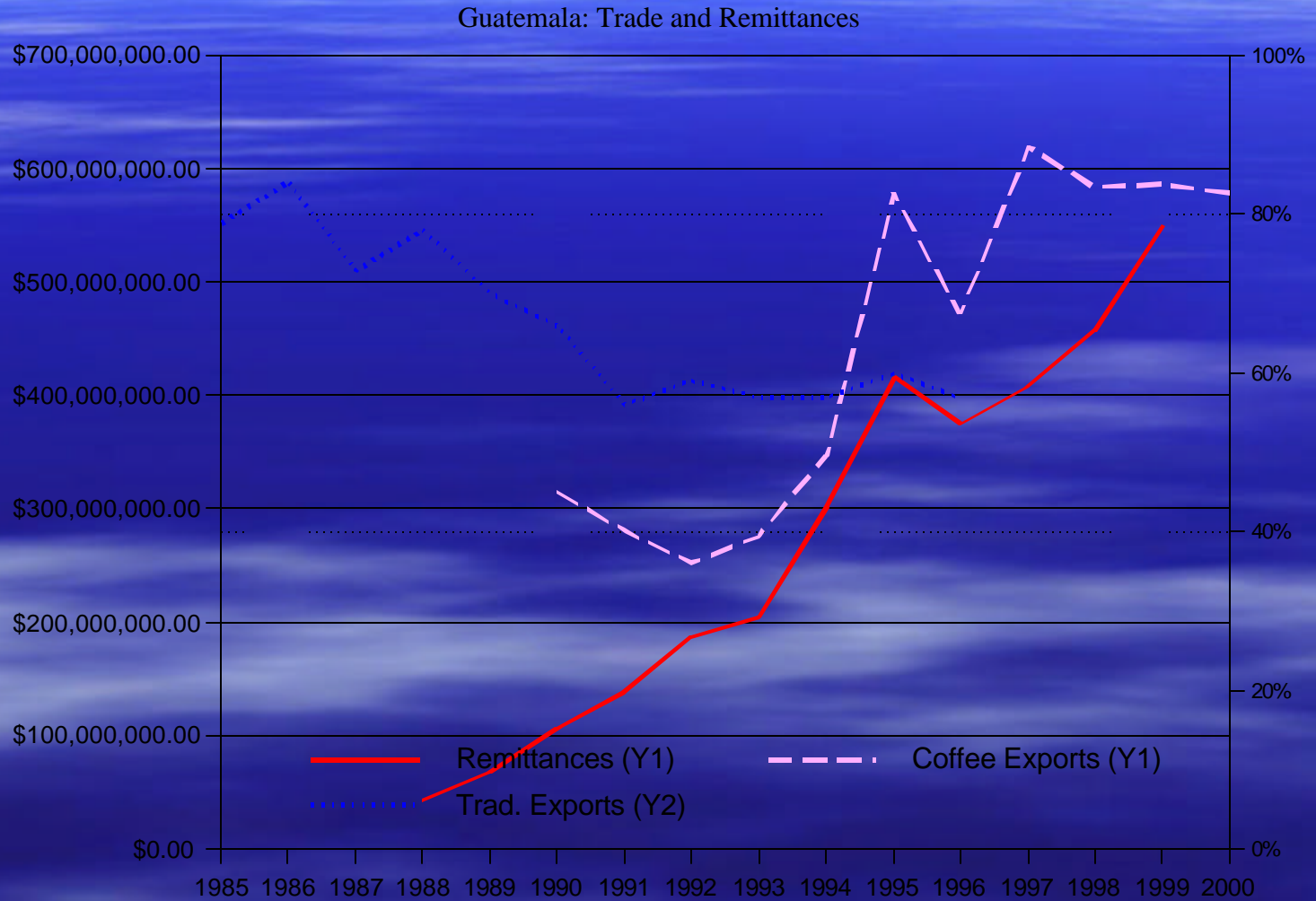
Range of Activities Performed by Migrant Communities for their Home Country

- PCharity:** toys, clothes, church donations,
- PInfrastructure:** parks, cemeteries, sports complexes, street pavements, ambulances, fire trucks
- PHuman Development:** scholarships, sport utilities, libraries, health equipment,
- PInvestment:** income generation programs for the community
- POther:** fund-raising

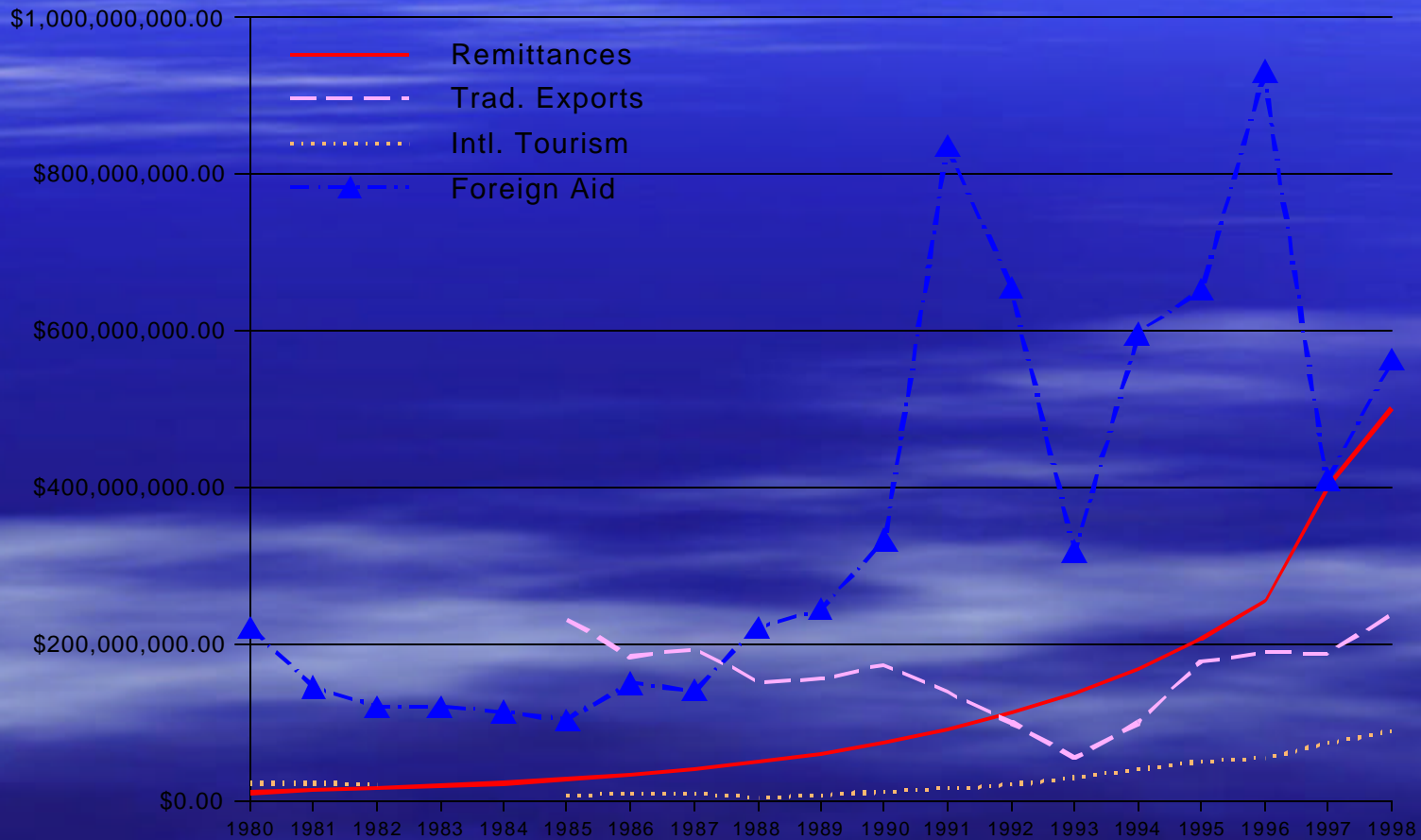
Growth of Mexican Clubs in Chicago



The New Economies of Latin America



Nicaragua: Traditional Exports, Aid, Remittances and Tourism



The Future of Remittances

Factors influencing People's Propensity to Remit

$$R_i = Pop_i + Migr_i + Socioec_i + Commit_i + Emergen_i + Market_i$$

Where:

R_i = Remittances of person i (or propensity to remit)

Pop_i = Percent of population that remits

$Migr_i$ = Continued migration flow (total & household)

$Socioec_i$ = Socioeconomic condition of immigrant

$Commit_i$ = Commitment retained with home country family

$Emergen_i$ = Level of emergency in home country family

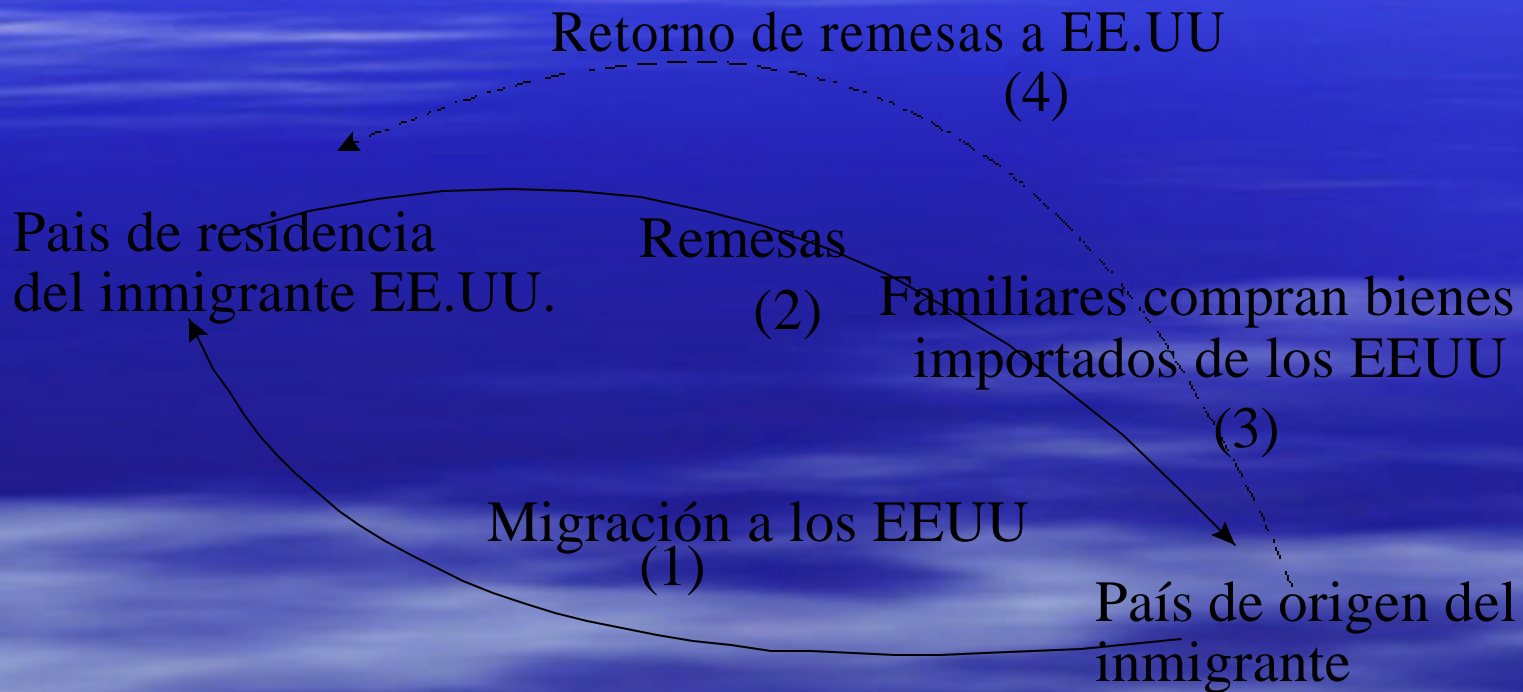
$Market_i$ = Market competition

$$Market_i = Location_i + Cost_i + Service\ Friendliness_i$$





The flow and return of remittances



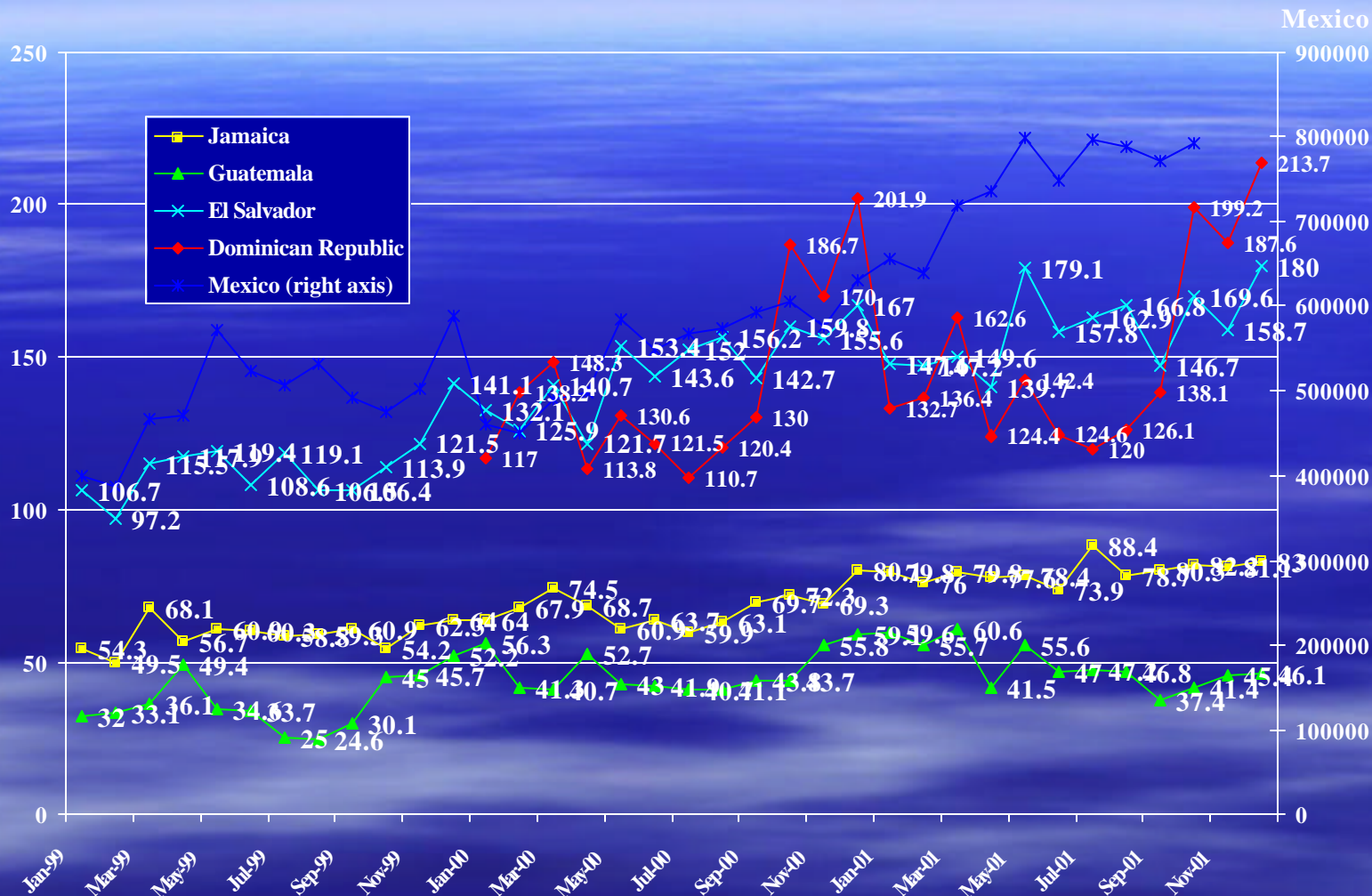
Financial Strategies to Attract Remittances

- Government Regulations on Remittance Income
- Government Capture of Remittance Shares
- Voluntary "Check-off" Contributions
- Government and Private-Sector Remittance Bonds
- Migrant Foreign Currency Accounts and Bonds
- Influencing Migrant Labor Earnings: Incentives to Invest in Home Country
- Micro-finance institutions and credit union involvement
- Offering Trading Licenses to Remittances Sender and/or Recipient
- Migrant-Sending Government Outreach to Migrants
- Migrant-Sending Government and U.S. Community Joint Ventures
- Hometown-Community Matching Funds
- Hometown-Community Investment Plans

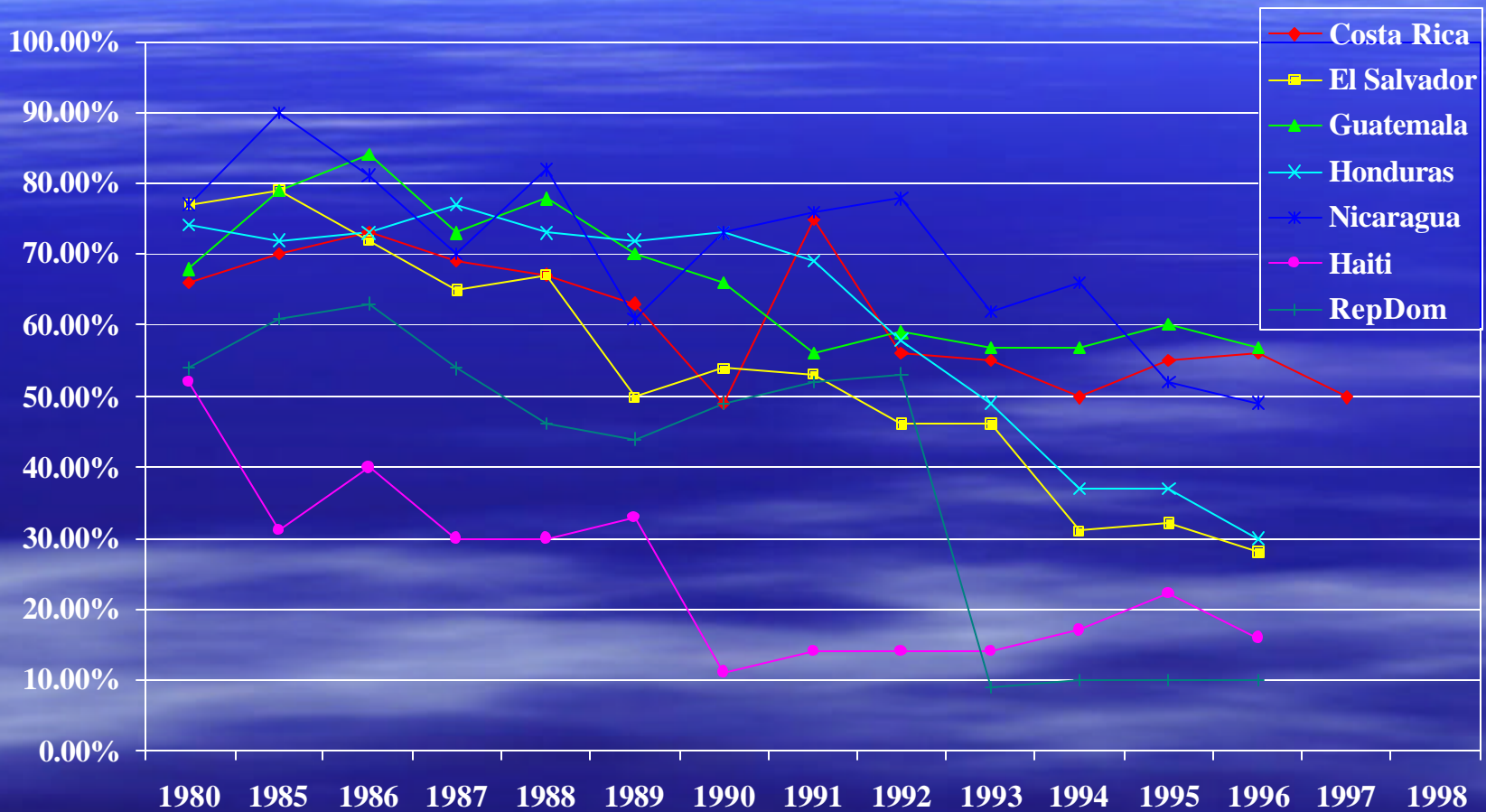
Marketing Strategies

- Expand services and distribution networks
- Establish multiple business partnerships with other corporations
 - Airlines: American, United, Taca
 - Banks
 - Stores
- Launch Community Outreach through Institutional Support
 - Education support for home economics, investment, etc.
 - Education support to integrate in U.S. society: English, naturalization courses,
 - Be more vocal about the company's work with the community
- Transparency of service: report where money goes
- Reduce transaction costs
- Fund hometown associations
 - Sponsor festivities
 - Donate funds for development projects
- Know your clients better
 - Identify their profile: the average as well as the outlier, and market accordingly
 - Become a people's business

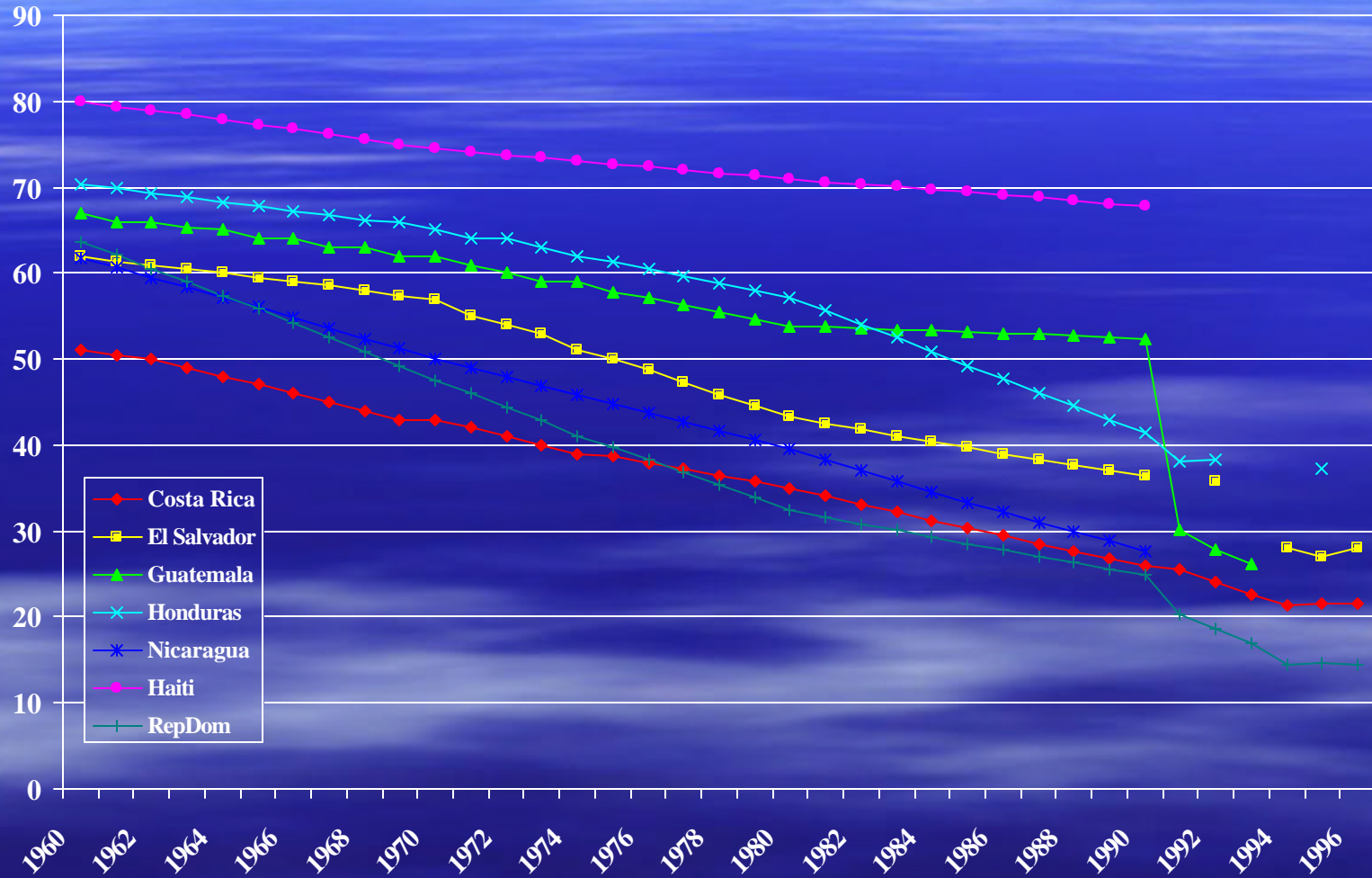
Monthly remittances, January 1999-December 2001 (U.S. million)



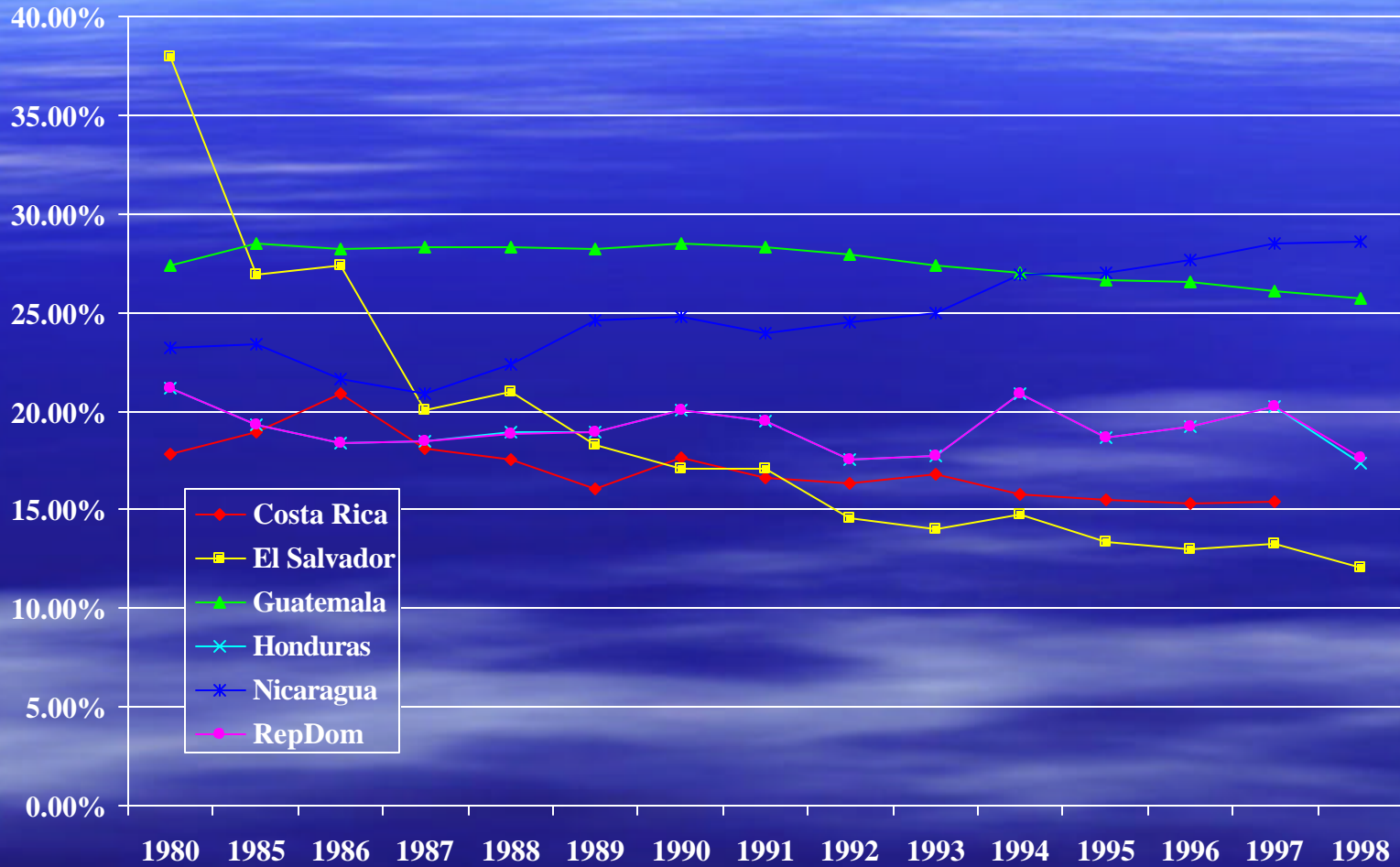
Shifting Dynamics in Latin American Economies: Decline of Agricultural Exports in Central American and Caribbean Countries



Labor Force in Agriculture



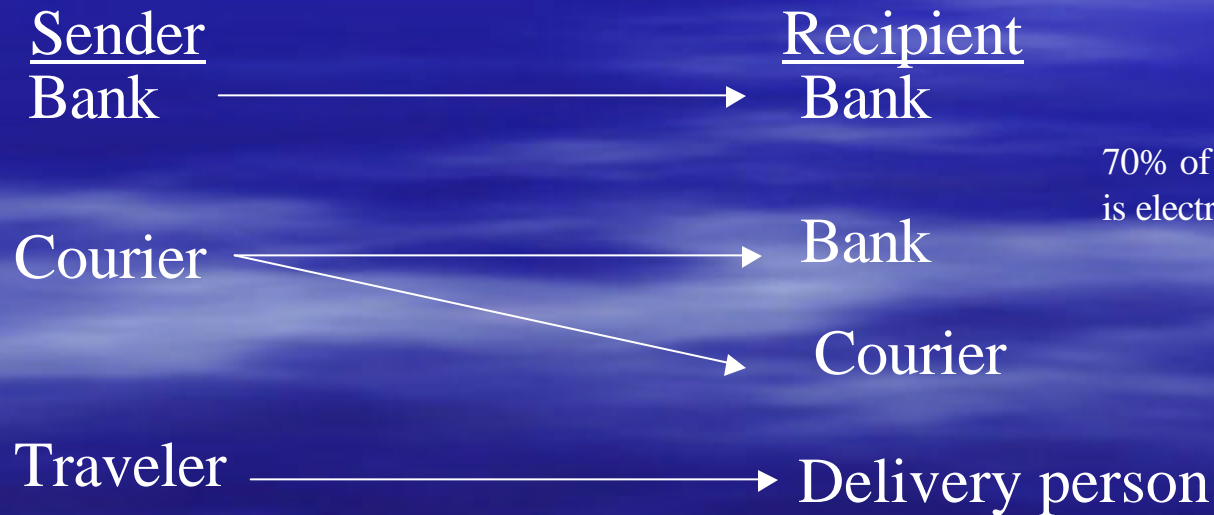
Agriculture as percent of GDP



Transfer Process

Transfer depends on:

- Technology employed (ET, Fax, e-mail, etc.)
 - Distribution Network (bank, courier, person)
 - Location
 - Regulations
 - Instrument delivered (cash, money order, checks)
-



70% of transfer
is electronic