

Migration, Remittances, and the Rural Sector in Latin America¹

INTRODUCTION

Although development economics has long considered foreign savings as key to increasing a country's capital-output ratio, it has neglected one very important source: migration, and worker remittances in particular.² This article argues that migration has had an important role within globalization by integrating developing countries into the global economy. Specifically, through remittances, migration has brought new opportunities for social and economic change in rural areas.

Historically, four factors of foreign savings were considered: foreign direct investment, official development assistance, foreign trade and the transfer of technology. However, in the past thirty years, significant changes in the global economy spurring migration flows have influenced economic growth and development thought. This chapter argues that the relationship between development and migration or the movement of people, and the resulting effects of economic ties between diasporas and home country economies (household and business sectors) are becoming more relevant for development and social change.

¹ Manuel Orozco, with Michelle Lapointe, Inter-American Dialogue, Washington, DC. A version of this article was presented to the World Council of Credit Unions in preparation for the conference *Paving the Way Forward for Rural Finance: An International Conference on Best Practices*, Washington, DC June 2-4, 2003.

² Tarp, Finn, *Foreign Aid and Development*, London: Routledge, 1999.

The article addresses the effects and opportunities that remittances bring to rural areas where migration has taken place. The first and second parts address the relationship between migration and remittances in global and Latin American scales. The third part looks at rural Latin America as it relates to poverty and inequality. The fourth section examines the intersection between remittances and the rural sector in the developing world, specifically in the cases of Mexico, El Salvador, and Nicaragua. The last part analyzes the role of hometown associations and their effect in the rural sector and development.

MIGRATION, DEVELOPMENT, AND REMITTANCES

Globalization and migration are connected through a political economy of foreign labor demands in services and other divisions of labor³. Mittelman explains that the current anatomy of the global political economy is composed of “a spatial reorganization of production among world regions, large-scale flows of migration among and within them, complex webs of networks that connect production processes and buyers and sellers, and the emergence of transnational cultural structures that mediate among these processes.”⁴

Mittelman stresses that “heightened competition among and within regions, mediated by such micropatterns as ethnic and family networks, accelerates cross-flows of

³ Orozco, Manuel. “Globalization and Migration: the Impact of Family Remittances to Latin America in Latin American Politics and Society, (Summer 2002), V. 44, n.2.

⁴ Mittelman, James H. *The Globalization Syndrome: Transformation and Resistance* Princeton: Princeton University Press, 2000, p. 4.

migrants” (2000, 65). In turn, this cross-flow of migration produces economic effects in the labor exporting country.

What Mittleman calls micropatterns have effects in the home country’s economic growth. Therefore, the movement of people becomes an indicator of economic development. First, the networks resulting from the prevailing ties of labor migration have contributed significantly to the integration of countries into the global economy. This latter point is important on various levels, including donations, investment [small and large], trade, tourism and unilateral transfers. For example, the mobilization of migrant (and their relatives’) savings and investments at home (in the acquisition of land, property, or small businesses) are spurring economic growth in areas traditionally neglected by the private and public sectors, such as rural regions.

Moreover, unilateral transfers, reflected primarily through family or worker remittances, and to a lesser extent through donations made by migrant associations, constitute key building blocks of economic growth and subsistence in many countries. Worker remittances are defined as that quantity of currency that migrants “earn abroad and then send home to their families and communities.”⁵

Studies about remittances have often focused on their wealth generating capacity through savings and investment⁶, the factors influencing their flow⁷ and their effects in the recipient economies at the household level⁸.

⁵ Kane, Hal. 1995. *The Hour of Departure: Forces That Create Refugees and Migrants*. Washington: World Watch Institute 1995, 34.

⁶ Adams, Richard H. 1998. Remittances, Investment, and Rural Asset Accumulation in Pakistan. *Economic Development and Cultural Change* 47, 1 (October): 155-73.

In synthesis, I argue that remittances can be analyzed within the context of the relationship between development and migration in a three prong manner: First, remittances as another source of foreign savings; second, remittances as an illustration of a broader process of integration into the global economy through migration -- specifically, in what I refer to as the Five Ts of integration (transportation, telecommunication, tourism, transfer of remittances and nostalgic trade); and third, remittances as an enabling factor of growth.⁹

This article shows the effects of remittances within the context of the global economy and in the rural areas that receive remittance flows but remain underdeveloped by private capital or governments.

THE TREND OF MIGRATION AND REMITTANCES ON AN INTERNATIONAL SCALE

In most developing countries, international migration has emerged as a significant trend. Within the context of globalization humans have become more mobile, nomadic, and transient, both physically and technologically. The flows of international tourists from have increased into millions of travelers. People working for transnational corporations have moved into different regions of the world where companies are

⁷ El-Sakka, M.I.T. 1999 The Macroeconomic Determinants of Emigrant Remittances. World Development 27, 8 (August):1493-1502.

⁸ Arif, Ghulam Mohammad. 1999. Remittances and Investment at the Household Level in Pakistan. Islamabad: Pakistan Institute of Development Economics.

⁹ Orozco 2003

expanding or intensifying their activities. Refugees leave countries and continents to escape from natural disasters, wars and conflicts that cause or exacerbate famines. Van Hear calls these refugees ‘new diasporas’; these immigrant groups become diasporas as a result of major contemporary economic and political transitions generating transnational changes and migration crises.¹⁰

At the labor levels, workers continue relocating because of labor demands, usually in northern countries, economic distress in their home countries, or a combination of both. Families are increasingly becoming transnational with relatives living in more than one country, reuniting, visiting regularly and maintaining a transnational network of communication.¹¹ Migration has become not only transnational but also transatlantic as in the case for example, of Indian, Pakistani and Bangladeshis going to Europe and the United States, or Dominicans, Jamaicans, Guyanese and Ecuadorians traveling to the United States and Europe.

Of the many moving across borders, conservative estimates indicate that every year there are about 200 million people migrating around the world.¹² This number of foreign workers going abroad is significant and indicative of broader changes in the global context. Because of globalization people are able to travel longer distances and reach more countries. A greater number of countries have also increased or expanded

¹⁰ Van Hear, Nicholas. *New Diasporas: The Mass Exodus, Dispersal and Regrouping of Migrant Communities*. Seattle: University of Washington Press, 1998.

¹¹ Faist, Thomas. *The Volume and Dynamics of International Migration and Transnational Social Spaces*. New York: Oxford University Press, 2000.

¹² Harris, Nigel. *Thinking the Unthinkable: The Immigration Myth Exposed*. New York: I.B. Tauris & Co., 2002.

their demand for foreign labor. Moreover, the migration flows are not unidirectional, that is from the South to the North. For example, Greeks migrate to Germany and the United States, while Albanians migrate to Greece. South Africans move to Australia and England, while Malawians, Mozambicans, and Zimbabweans travel to work in the South African mines and the service industry as domestic workers.

Global migration flows may be greater than those estimates. Many migrant receiving countries are expanding the number and type of migrants they receive. Moreover, migration is taking place at both levels, skilled and unskilled workers going abroad. As Held, McGrew, Goldblatt and Perraton stress “there has been a steady movement of highly skilled, highly trained professionals, that is, elite migration”.¹³ These migrations are not only going northward, but have also gone into Southern areas of the world like the oil-producing countries where a demand for skilled labor has emerged since the 1970s.

The Global Flow of Remittances

One of the manifestations of the effects of international migration is remittances. Total remittance flows continue to increase over time “with an annual average in the previous decade of US\$700-1000 per worker”¹⁴, and possibly reaching more than \$100 billion.¹⁵ Estimates of remittances vary significantly. The IMF and World Bank, for

¹³ Held, David; McGrew, Anthony; Goldblatt, David; and Perraton, Jonathan. *Global Transformations: Politics, Economics and Culture*. Oxford: Polity Press, 2000.

¹⁴ Harris, Nigel, p. 87.

¹⁵ Orozco, Manuel. *Worker Remittances in an International Scope* Washington, DC: Inter-American Dialogue, March 2003.

example, report on just eighty countries receiving a total of nearly \$80 billion. Despite the lack of significant data, these figures offer a preliminary map of remittances (see Figure 1).

[FIGURE 1: ABOUT HERE]

As Figure 1 shows, Latin America is the main remittance recipient area in the world, receiving about 31% of the flows. Following Latin America are South Asia, Europe & Central Asia, and East Asia & Pacific with twenty, twenty-one and eighteen percent of the flow, respectively. One interesting feature of the data is that one or two countries comprise over 50% of the total flow in each region. For example, India, the world’s largest remittance recipient country, accounts for 73% of the flow to South Asia. Mexico represents 34% of Latin America and the Philippines 43% of East Asia and the Pacific. (see Table 1).

TABLE 1: ABOUT HERE

REMITTANCES TO LATIN AMERICA

Within the Latin American context, worker remittances are becoming increasingly relevant to the economies of many countries. In 2002, Latin America received more than \$30 billion in remittances from the United States, Japan, Europe, Canada and Latin America itself. The table below shows the total amounts sent to selected Latin American and Caribbean countries in 2002. The table also shows remittances as a percentage of GDP and exports in selected countries. Especially for the smaller economies of Central

America and the Caribbean, remittances represent a significant percentage of these macroeconomic indicators.

Remittances to El Salvador have, on occasion, exceeded the total value of exports, and are over half the value of exports in the Dominican Republic and Nicaragua.¹⁶ Even in countries like Mexico, which has a strong export-oriented market, remittances equal 10 percent of the total value of exports, almost as much as the income from tourism, and about 80 percent of the value of foreign direct investment.

The overwhelming majority of remittances received in Latin America are sent from the United States. The Central Bank of Mexico, for example, estimates that 95 percent of the total remittances originate in the United States. In the case of Jamaica, the United States accounts for 70 percent of the remittances received.

[TABLE 2: ABOUT HERE]

Senders and Receiving Households

According to the U.S. 2000 Census, over 40 percent of Latinos earn less than \$20,000 a year and over 70 percent earn less than \$35,000 a year.¹⁷ On average, immigrants in the United States send \$260 in remittances at least seven times a year, but these amounts vary depending on the country of origin. Among Latin Americans, Mexicans, Brazilians, and Costa Ricans send the most, while Peruvians, Haitians, and Nicaraguans send the least.

¹⁶ Orozco, Manuel, Globalization and Migration: the Impact of Family Remittances to Latin America in *Latin American Politics and Society*, (Summer 2002), V. 44, n.2, pp 41-66.

¹⁷ U.S. Census Bureau, <http://www.census.gov/population/socdemo/hispanic/p20-535/tab12-3.txt>

Even considering variations in amounts sent and income levels, remittances represent at least 10 percent of the migrant's income. This proportion can reach as high as 22 percent, as in the case of Mexican immigrants; Mexicans represent the largest share of Latinos in the United States and send more money than other Latino groups (nearly \$400 a month).

Income variations may explain the differences in amounts sent. For example, 48 percent of Nicaraguan households in Miami had incomes below \$25,000 a year, with an average of \$1,821 a month.¹⁸ Because Nicaraguans send an average of \$146 a month, remittances represent just fewer than 10 percent of their income. Moreover, according to the U.S. Census, per capita household income among Dominicans in New York and the United States is \$9,069 and \$11,013 respectively.¹⁹

Demographically, most remittance recipients are from the rural sector and most are women. According to the *Consejo Nacional de Población*, the Mexican office of the census, approximately 70 percent of remittance recipients are women.²⁰ On average, 50 percent of the recipients form part of the economically inactive population. Furthermore, half of the individuals receiving remittances have no other source of income. In

¹⁸ Fernandez- Kelly, Patricia and Curran 2001 *Ethnicities : children of immigrants in America* edited by Ruben G. Rumbaut and Alejandro Portes, p. 136.

¹⁹ Rivera-Batiz, Francisco, *The Socioeconomic Status of Hispanic New Yorkers: Current Trends and Future Prospects*, Washington, Pew Hispanic Center, January 2002. Table 8.

²⁰ Consejo Nacional de Población: Mexico, 2000.

Honduras, about one third of the remittance receiving households go to rural areas and at least 80% are poor.²¹

The flow of remittances into vulnerable areas, including the rural sector, has important implications for social change. Specifically, by virtue of being a financial transfer that goes into neglected areas, remittances can and have provided alternatives for subsistence and survival.

LATIN AMERICAN RURAL CONTEXT: MIGRATION AND REMITTANCES

The rural sector in Latin America continues to represent an important challenge to development players and policy makers. A significant percentage of the Latin American population is rural, in some countries as high as 50%. Rural Latin Americans face significant constraints due to the lack of social and economic modernization, the limited productive activities outside agricultural subsistence, and the reduced value that agriculture represents for a country's economy.²² Infrastructure and services in the rural sector are relatively scarce and, when available, costly. Moreover, partly because of underdevelopment levels and deep inequality, poverty rates are higher than in urban

²¹ Impacto Socioeconómico de las Remesas: Perspectiva Global Para Una Orientación Productiva De Las Remesas En Honduras. Mexico: Eclac, 1999.

²² Valdés, Alberto and Johan A. Mistiaen, "Rural poverty in Latin America: Recent Trends and New Challenges" in *Food, agriculture, and rural development : current and emerging issues for economic analysis and policy research* Kostas G. Stamoulis, editor. Rome: Food and Agriculture Organization of the United Nations (Food, agriculture and rural development), 2001.

areas. While nearly 40 percent of Latin Americans live in rural areas, agriculture—the main source of income in the rural sector—comprised only 12% of GDP on average.

In large part the slow modernization and development of these countries' economies has been unsuccessful in increasing per capita incomes and absorbing rural workers into the industrial and service workforce in urban settings. Thus, large segments of the population remain in significantly undeveloped regions.

[TABLE 3: ABOUT HERE]

Despite these constraints, domestic and international migration has become a mechanism to cope with poverty and the advancing modernization of urban sectors. Many Central American and Mexican migrants to the United States come from rural Latin America. The U.S. Census reports that there are nearly seventeen million Latin American immigrants, fifty percent of whom are Mexicans (US Census CPS 2002 data).

Migration and the Rural Sector

Key to the flow of remittances is the destination of the money and its effects on the household and the local economies. Despite the difficulties in costs associated with their transfers, remittances in rural Latin America have had a positive effect. Considering the problems in rural Latin America, remittances have emerged as an alternative form of financial relief for households and productivity.

Moreover, effects of emigration from Latin America to the United States are varied. Some analysts argue that it has adverse impacts, while others claim that family remittances are a positive outcome. The answer, however, varies depending on the specific conditions in each country and area of migration. One important issue is that

emigration from rural areas represents to some extent an adversity insofar as those who migrate tend to have more skills and abilities.

In many towns in Mexico and Central America, emigrants are young males with agricultural skills and the ability to borrow in order to achieve the goal of working abroad. Taylor stresses, for example, that emigration affects agricultural production in various ways. First, there is a decline in the available labor force. But, second, the influx of remittances helps to compensate for the adverse effect on agricultural productivity because the currency generates a demand for goods which in turn has a multiplier effect on the local economy.²³ It is also worth considering that although the decline in the labor force affects agriculture, most of the migration occurs in the first place because of a depressed rural economy unable to absorb the local labor force.

Another important relationship between migration and the rural sector refers to the linkages established between immigrants and their hometowns. Partly inspired by the dynamics of family remittances and increasing transnational networks, immigrants have formed community groups to maintain relationships with the country or with local communities. These organizations, known as hometown associations, are part of a growing trend in transnational social movements, influenced by both migration patterns and globalization.

Remittances in Rural Latin America

²³ Taylor, Edward. "Migration: new dimensions and characteristics, causes, consequences and implications for rural poverty" *Food, agriculture, and rural development : current and emerging issues for economic analysis and policy research* Kostas G. Stamoulis, editor. Rome: Food and Agriculture Organization of the United Nations (Food, agriculture and rural development), 2001, p. 167-201.

A significant flow of remittances goes to rural areas. Examples of these cases are Mexico, El Salvador, Dominican Republic, Haiti, and Nicaragua. In the Mexican case, 10 Mexican states account for the majority of emigration. The *Encuesta sobre Migración en la Frontera Norte de México* (EMIF), published in 1994, showed that over 75% of all migrants leaving Mexico originated in 10 states.²⁴

Similarly, the top ten remittance receiving states – Guanajuato, Jalisco, Michoacán, San Luis Potosí, Guerrero, Zacatecas, el Distrito Federal, el Estado de México, Chihuahua and Durango – receive over two-thirds of all remittances sent to Mexico.²⁵ See Table 4.

[TABLE 4: ABOUT HERE]

Except for the Federal District of Mexico, the places of emigration are a combination of rural and urban areas.²⁶ According to EMIF, 56% of international emigrants are from urban areas while 42.1% came from rural areas. However, remittances play a larger role in rural Mexican economies than in urban ones. In 1996, 10% of all rural households reported receiving remittances while less than 4% of urban households reported receiving remittances.²⁷

²⁴ El Colegio de la Frontera Norte. “Problemas y Perspectivas de las Remesas de los Mexicanos y Centroamericanos en Estados Unidos,” *Unpublished Manuscript*, El Colegio de la Frontera Norte: Departamento de Estudios Económicos. Mexico: 2002, p. 30.

²⁵ Torres, Federico. “Las Remesas y el Desarrollo Rural en las Zonas de Alta Intensidad Migratoria en México,” Naciones Unidas: Comisión Económica para América Latina y El Caribe (CEPAL). Mexico: 2001, p. 3.

²⁶ Torres, Federico, p. 4.

²⁷ El Colegio de la Frontera Norte, pp. 33-37.

In El Salvador, the departments which lose the highest percentages of their populations to migration—San Vicente, Cabañas, Chalatenango, Morazán, La Unión and Sonsonante—share characteristics with their Mexican counterparts. Notably, they are the most ecologically deteriorated states, they have the lowest standards of living, and they lack significant infrastructure. In absolute numbers, on the other hand, the urban center of San Salvador sends the largest numbers of migrants abroad, with approximately 22% of Salvadorans in the United States originating in San Salvador.²⁸ It is thus interesting to note that the geographic distribution of the remittance receiving households in each country is similar. While rural households in each country make up a significant percentage of all remittance recipients, the majority are located in urban areas. See Table 5.

[TABLE 5: ABOUT HERE]

Migration and remittances patterns in Nicaragua are also worth noting. Migration from Nicaragua goes predominantly to the United States and Costa Rica. In a nationwide study conducted in June 2001, 42% of those living in Managua reported having a relative abroad, against 35% in the Pacific region and 29% from North-Central Nicaragua. The majority of those reporting outside Managua had relatives working in Costa Rica, whereas those living in Managua had relatives predominantly migrating to the United States.²⁹

²⁸ García, Juan José. “Las Tendencias de la Migración en El Salvador,” FUSADES-PNUD, 1998, pp. 7-8.

²⁹ Orozco, Manuel. “Family Remittances to Nicaragua: Opportunities to increase the economic contributions of Nicaraguans living abroad,” Inter-American Dialogue. Washington, D.C.: 2003, pp. 7-8, 20.

Receiving households use the vast majority of remittances for everyday expenditures and consumption in both urban and rural areas. For example, Mexican families receiving remittances from abroad typically spend over 75% of that money on their daily needs such as food and clothing. This applies to those that live in extremely small areas of under 2,500 inhabitants and those who populate larger areas.

Nicaraguan and El Salvadoran families also exhibit similar spending patterns. In surveys conducted in each of these countries over three-quarters of the population spent their remittances on food alone. See Table 7.

[TABLE 7: ABOUT HERE]

[TABLE 8: ABOUT HERE]

In the rural sector, a portion of remittances are utilized to purchase land. For example, Table 8 above highlights the higher percentage of remittances spent on land in rural areas. In addition, a survey in Mexico found that remittance recipients in low density populations (mostly rural areas) typically spent more money on machinery and other equipment than did their counterparts in higher density populations.³⁰ This same study of rural Mexican areas concluded that remittances spent on the purchase of such inputs as land, cattle, and other agricultural equipment allowed rural households to continue these agricultural activities despite no apparent earnings from the agricultural production itself.³¹

³⁰ El Colegio de la Frontera Norte, pp. 39-40.

³¹ El Colegio de la Frontera Norte, p. 127.

Savings mobilization and remittances

Remittances are an alternative source of funding for household survival and for financial activities among small businesses and entrepreneurs. As a form of foreign savings, remittances are influencing not only spending but also investment behavior. As mentioned above, a portion of remittances is saved or invested on education, health or wealth generation.

Therefore remittances are already connected to savings mobilization in many Latin American countries. Remittance receiving households not only save a portion of their money, but remittances play an investment and insurance function. In the case of investment, immigrants send money back home with the specific purpose of acquiring some investment opportunity. Immigrants buy land, materials to work the land or seed to plant. A recent study on micro-enterprises in Mexico showed that remittances were responsible for 27% of the capital invested in micro enterprises in Mexico, and 40% of the capital in the major remittance receiving areas of the country.³² In the insurance case, other studies have also shown that immigrant remittances also operate as a form of insurance to protect before future uncertainties. Specifically, Pozo³³ argues that when remittances continue an incremental trend although immigrants face income risks, the money is sent home “to purchase assets” as a form of precautionary savings (4). She stresses that “older migrants, female migrants, migrants with greater fraction of family

³² Woodruff, Christopher, and Rene Zenteno, *Remittances and Micro-enterprises in Mexico*, unpublished manuscript.

³³ Pozo Susan and Catalina Amuedo-Dorantes, “Remittances as Insurance: Evidence from Mexican Migrants”, July 24th, 2002. Paper presented at the Northeast Universities Development Consortium Conference, Williams College.

members working for pay, migrants who came accompanied by friends/family to the United States, and migrants with greater educational attainment are more likely to remit for asset accumulation” (26). Taylor has also maintained that remittances have a positive effect in the rural sector when they alleviate the restrictions that limit local production due to the creation of employment and its multiplying effects on the local economy.³⁴

These connections, however, are spontaneous and often occur under conditions of incomplete information for the entrepreneur about affordable lending opportunities. Within this context, micro-finance institutions and credit unions are poised to play a key role in bringing financial services to an already existing demand for economic transactions.

HOMETOWN ASSOCIATIONS AND RURAL DEVELOPMENT³⁵

Hometown associations (HTAs) represent another important relationship between the rural sector and immigrants. Created to maintain links with and support communities of origin, HTAs are increasingly taking advantage of the upsurge in family remittances and the need for economic aid in their home countries. HTAs have sought to retain cultural ties and improve their home country communities.

Hometown associations are primarily philanthropic groups whose work sometimes overlaps with economic development. Organizations made up of Salvadorans, Guatemalans, Mexicans, Guyanese, Dominicans, and others work to support their

³⁴ Taylor, Edward., p.219.

³⁵ This section is based on a report prepared by the author titled *Hometown Associations and their Present and Future Partnerships: New Development Opportunities?* Washington: Inter-American Dialogue, September 2003.

hometowns. According to the Mexican consulates, there are over 700 registered clubs, but government officials in Mexico and Latino community leaders estimate a much higher and increasing number. The figure below shows the increase in hometown associations based in Chicago over the past six years.

[FIGURE 2: ABOUT HERE]

HTAs vary in level of organizational formality, but most have governing boards of 10 or fewer members that include a president, secretary, treasurer, and auditors. Elections for these positions are held every 6-12 months. This core membership chooses projects and mobilizes more extensive support for fundraising. HTAs hold events to fundraise for specific projects and often attract 200 or more participants.

Generally, a club member visits the hometown, returns with a list of needs, and proposes three or four projects to the president, who then initiates discussion and calls a vote among active members. The projects reflect a combination of perceived community needs and the preferences of members.

HTA members are motivated by a practical desire to improve economic and social conditions in the hometown and hope to prevent future emigration. They engage in a wide range of projects, including public infrastructure (like road pavement and electrification), health and education, support to the town church or cemetery, and town beautification (such as constructing parks).

Health and education projects, which generally involve the construction or repair of health centers and school facilities, as well as the donation of materials such as computers, are the most popular type of HTA activity. Such projects attract wide support because they are tangible and assist the town's most vulnerable populations, the elderly

and children. Public infrastructure projects are also common and often preferred by town mayors, who equate construction work with progress.

HTAs undergo a learning process, generating new ideas and learning lessons from previous experiences. At the same time, newer HTAs tend to diversify their activities and increase their focus on economic infrastructure and investment. As the table below shows, older associations continue to focus on more traditional activities dealing with recreation or town beautification, whereas clubs formed after 1995 dedicate resources to a wider variety of projects, from church repairs to public works to health and education.

[TABLE 8: ABOUT HERE]

Infrastructural activities, such as paving roads, electrifying neighborhoods or supporting community areas, can be both philanthropic and developmental. The nature of the development contribution depends primarily on the immediate economic needs of a given town, and the support of an HTA may improve the economic health of that community. The experiences in rural Mexico and El Salvador show that construction in rural areas where there is no basic infrastructure has been important to communities. In many parts of Mexico, for example, infrastructural development precedes any investment strategy, and the donations by hometown associations play a key role.

The majority of Mexican HTAs raise somewhere around \$10,000 a year to help their communities, although some groups raise up to \$100,000 annually. HTAs are conscious of their limited fundraising base, and choose activities appropriate to their resources. While small by US standards, this level of donations nonetheless has a substantial impact in the rural receiving communities. In fact, the majority of HTAs work in rural towns with populations below 1,000. These communities have annual per

capita incomes below \$400, highly underdeveloped public and financial infrastructures, and lack any type of commercial center. Moreover, at least a third of households receive remittances, and residents must travel at least 50 kilometers to purchase goods.

In the context of these communities, HTA donations are especially important in improving quality of life. The contributions are even more striking when compared to the municipal public works budgets. In towns with fewer than 3,000 people, the HTA donation is equal to over 50 percent of the budget allocated for public works. For localities with populations under 1,000, the HTA donation can be up to 7 times larger than the public works budget (see table 9 below). Thus, HTAs work on projects that would otherwise be impossible for these communities to implement.

[TABLE 9: ABOUT HERE]

One way that HTAs have been able to magnify the impact of their donations is through matching grant programs with the Mexican government. Since 2002, HTAs have participated in a program called *Iniciativa Ciudadana 3x1*, in which every dollar donated by a club is matched by one each from the local, state, and federal government. This federal program was preceded by informal partnerships as well as formal initiatives, such as the 2x1 program, in various states. States with high rates of emigration and well-organized migrant communities in the United States, including Zacatecas, Guanajuato, Jalisco, and Michoacán, are the most active in the 3x1 program. Together, they represent over two-thirds of the amount allotted on a national level.

The 3x1 program has increased HTA contact with government officials, especially on the local level. Relationships with mayors are particularly important, as the local government often contributes to projects not just financially, but also with labor and

donations in kind. Construction projects in particular provide much-needed jobs to local residents. While the actual construction of a road or a health center takes on average 6-12 months to complete, the wear and tear demands significant maintenance costs and extra labor. Some HTAs, therefore, provide continuity to their original projects. In the case of street paving or electrification projects, on the other hand, the responsibility falls to the mayor and local government.

The timeline of a project and continuity of an HTA's work are critical to development. Most associations have worked for ten consecutive years implementing a range of projects. Every year, they spend at least six months developing and carrying out a given project. The lifespan of an organization provides an important clue as to how long it can provide support to a given project. Knowing the amount of time it takes to get a project going sets a calendar for activities.

When a club participates in the 3x1 program, it establishes a committee in the hometown to oversee the disbursement of funds and the overall project implementation. HTAs working outside the 3x1 program often establish links with individuals including relatives and local leaders such as priests, to serve as the club's liaison in the hometown. Generally, the local contact person acts as a manager and foreman of the project, providing information about budgets and schedule of work. HTAs do not usually have a hands-on role until the very end of a project, when they are present to offer a quality assessment.

By virtue of their close contact with government officials as well as their close oversight of projects, local representatives of HTAs play an important role in promoting civic participation. Nearly 80 percent of HTAs have interacted with municipal

government authorities. These local liaisons also enhance transparency by monitoring the disbursement of HTA funds and holding local government officials accountable for timely completion of projects. In addition, HTAs have established relationships with other local groups, such as firefighters, teachers, and doctors, in individual projects. While outside of a formal partnership like 3x1, these links are important in maintaining close contact with the town.

Many HTAs join larger federations, composed of several clubs from the same Mexican state. Membership in a federation increases coordination among members and entails greater commitment on certain projects. The advantage of joining a federation is that an individual club can strengthen its voice and engage in larger-scale projects, possibly with clubs from neighboring towns. A federation also has greater power to negotiate with the federal and state governments, and federations have been instrumental in expanding programs like 3x1.

While the aggregate amount donated by HTAs is difficult to determine, the Mexican federal government invested \$15 million in 2002 to match with clubs in the 3x1 program. Approximately 50 percent of HTAs participate in this program, and those who do not participate in 3x1 donate similar amounts. Therefore, at a minimum, Mexican HTAs donate \$30 million a year. Furthermore, because the number of HTAs registered with the consulates is only a snapshot of the total in existence, it is likely that the overall amount donated is much higher. In addition, there are 2x1 schemes in different states that operate independently and remain outside the amounts allocated by 3x1.

DEVELOPMENT OPPORTUNITIES

Within the context of the changing dynamics and realities in Latin America and the Caribbean, there are important development alternatives to consider. Remittances pose a very important financial stream in rural areas of Latin America.

Mexico, Haiti, the Dominican Republic, Nicaragua, El Salvador, Guyana and Guatemala are all countries where at least one quarter of remittances goes to their rural areas. If adequately addressed, remittances can become a major form of foreign savings energizing the rural sector into a process of modernization.

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