



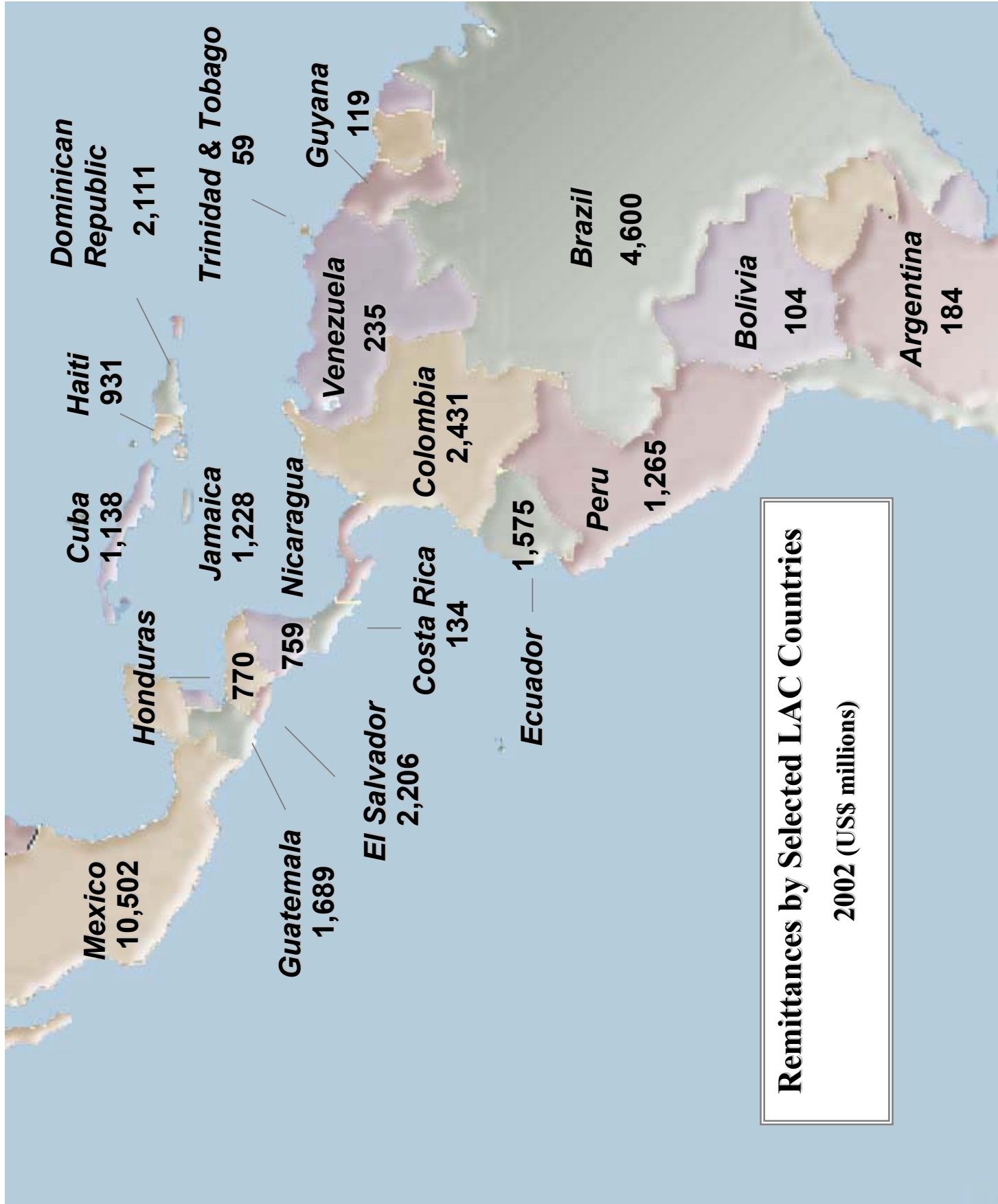
MULTILATERAL INVESTMENT FUND
INTER-AMERICAN DEVELOPMENT BANK



**SENDING MONEY HOME:
AN INTERNATIONAL COMPARISON OF REMITTANCE MARKETS**



FEBRUARY 2003



Remittances by Selected LAC Countries
2002 (US\$ millions)

Introduction

Over the past decade, “globalization” has become the term most often used to describe the increasing integration of the world economy. Countless categories of financial flows, trade in goods and services, and various forms of technology transfer are all very carefully monitored, documented, and reported in great detail.

Business coverage has moved from the back to the front pages of newspapers, and electronic media flash new data instantly. Markets move quickly and dramatically in response, as companies and countries alike try to develop strategies and implement policies to improve their “international competitiveness”.

Whatever one’s point of view, the process and its consequences cannot be ignored – the globalization of finance, trade, and technology is a reality that must be acknowledged and addressed.

However, there is one aspect of globalization that historically has attracted relatively little attention: the flow of workers to fill jobs in more developed countries, and the subsequent financial flows back to their families in countries of origin. But this is rapidly changing as international organizations, national governments, universities, foundations, and perhaps most importantly, financial institutions, are currently in the process of “discovering remittances”.

From a purely economic perspective, this movement of labor across borders constitutes an international labor market that is closely connected to the globalization process. But, the transfer of remittances from immigrant workers back home also seems to produce a fundamentally human connection with a process of delivering desperately needed resources across continents and oceans to more than one hundred million families worldwide.

Nowhere is this more apparent than in Latin America and the Caribbean (LAC) where unemployment has been rising, personal incomes falling, and capital flows (particularly foreign investment) drying up.

Because of the recent growth of remittances to LAC, the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB) began three years ago to commission studies, sponsor conferences, and finance projects in order to help:

- 1) Document the increasing importance of remittances to the region.
- 2) Lower transaction costs by promoting competition, and encouraging innovative technologies; and
- 3) Leverage the development impact of remittances, once received.

REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN, 2002.

This year's "Map of Remittances" is the third in a series published by the MIF over the past two years. The numbers are based on a comprehensive survey and analysis of reports from 19 Central Banks in the region which were compiled during January – February, 2003. Five countries – Argentina, Costa Rica, Guyana, Trinidad and Tobago, and Venezuela – are added to the survey this year, reflecting the increased impact of remittances to those countries. Moreover, significantly improved systems and techniques in several countries for reporting remittances are producing a much more accurate accounting of LAC remittances, and reducing various anomalies caused by an uneven distribution of undercounting from country to country.

This data is supplemented by two studies commissioned by the MIF (See annex)

Worker Remittances: An International Comparison,

Manuel Orozco, Inter-American Dialogue.

Improving Access To The U.S. Banking System Among Recent Latin American Immigrants,

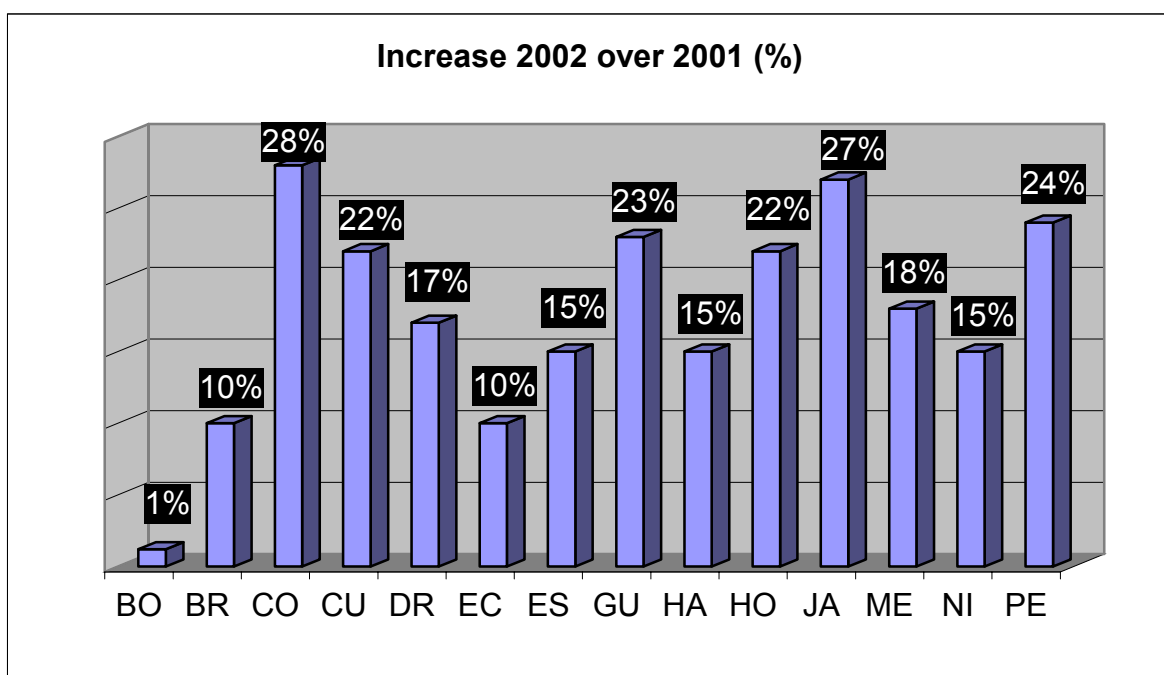
Sheila Bair, University of Massachusetts Center for Public Policy and Administration.

Remittances to Latin America and the Caribbean, 2002

Country	Remittances in 2002 (US\$ millions)
Mexico	\$10,502
Brazil	\$4,600
Colombia	\$2,431
El Salvador	\$2,206
Dominican Republic	\$2,111
Guatemala	\$1,689
Ecuador	\$1,575
Jamaica	\$1,288
Peru	\$1,265
Cuba	\$1,138
Haiti	\$931
Honduras	\$770
Nicaragua	\$759
Venezuela	\$235
Argentina	\$184
Costa Rica	\$134
Guyana	\$119
Bolivia	\$104
Trinidad and Tobago	\$59
TOTAL	\$32,044

SIZE AND GROWTH OF LAC REMITTANCES, 2002:

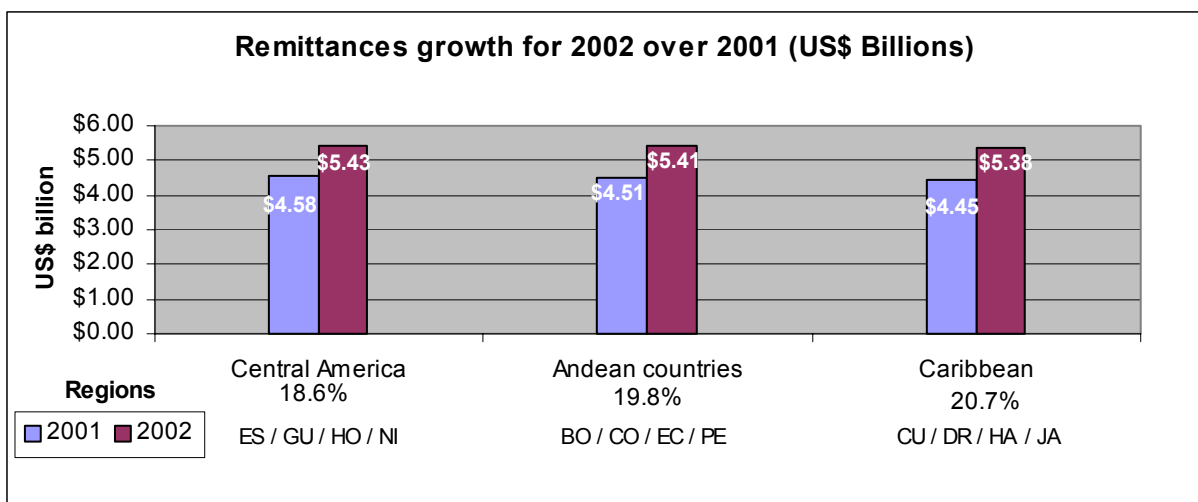
- Remittances to LAC during 2002 increased by 17.6%, reaching over \$ 32 billion. This represents a dramatic acceleration of an already substantial growth rate for the previous two years, bringing the aggregate increase of LAC remittances since 2000 to almost 40%.
- The LAC region is now the number one destination for remittances worldwide, totaling more than 31% of all remittances sent to developing countries during 2002. LAC remittances are responsible for more than 60% of the worldwide growth in remittances over the past three years.
- Remittances to every LAC country, except Bolivia, increased by at least 10%, in 2002, led by Colombia (28%), Jamaica (27%), and Peru (24%)¹.
- Countries with growth rates above average include: Guatemala (23%), Honduras (22%), Cuba (22%), and Mexico (18%).
- Countries with growth rates at 10% or above include: the Dominican Republic (16.9%), El Salvador (15.4%), Nicaragua (15%), Haiti (15%), Ecuador (10%), and Brazil (10%)



- Mexico continued to be the largest LAC recipient by a wide margin at \$ 10.5 billion, accounting for almost 1/3 of all remittances to LAC (32.8%).

¹ Argentina (80%) and Venezuela (72%) reported explosive growth rates; but the base years are too small, and experience in tracking remittances relatively limited to use for year-over-year comparison purposes with other countries.

- Central America remittances increased 18.6%; Andean remittances increased 19.8%; and Caribbean remittances increased 20.7%.



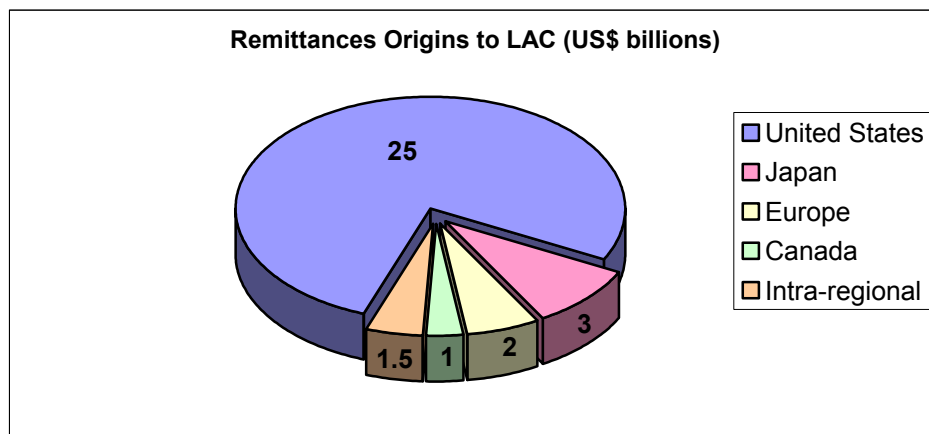
COSTS AND MECHANISMS:

- Total costs associated with LAC remittances during 2002 reached approximately \$4 billion, averaging about 12.5%.
- Costs to send remittances to LAC are the highest in the world by a significant margin.
- Average costs for sending remittances to LAC are about 50% higher than charges for sending remittances to other major recipient countries such as India, the Philippines, Turkey, Pakistan, Egypt and four other countries surveyed.
- These higher costs result principally from the much lower use of financial institutions for sending remittances to LAC as compared to remittances sent to countries in Asia, Africa and Southern Europe.

ECONOMIC IMPACT:

LAC Remittances for 2002:

- Almost equaled total Foreign Direct Investment (FDI) into the region and is expected to considerably exceed FDI during 2003;
- Substantially exceeded Official Developed Assurances (ODA) to each country;
- Accounted for at least 10% of GDP in six countries: Nicaragua (29.4%), Haiti (24.2), Guyana (16.6%), El Salvador (15.1%), Jamaica (12.2) and Honduras (11.5%).
- Leveraged approximately \$ 100 billion in economic activity, based on studies indicating a multiplier effect of 3:1 for remittances.
- If LAC remittances continue to grow at a relatively modest annual rate of 7%, aggregate remittances to LAC for the current decade (2001 – 2010) will exceed \$ 400 billion.

SOURCE OF LAC REMITTANCES:***United States and Canada***

Over three-quarters of all LAC remittances – approximately \$ 25 billion – comes from the United States. As documented in last year’s groundbreaking “Survey of Remittances Senders: U.S. to Latin America,” almost 70% of Latin immigrants to the U.S. send remittances back home on a regular basis. That means that approximately 12 million workers are sending money to their families in LAC seven to eight times a year, resulting in about 90 million separate financial transactions. Remittances from Canada, principally to the Caribbean, amount to almost \$ 1 billion.

Europe

In recent years, Spain has become the destination for approximately 500,000 Latin immigrant workers, primary from Ecuador, Colombia, the Dominican Republic, and Peru. Over ninety percent send remittances home on a regular basis, totaling \$ 1 billion in 2002. The rest of the European Union countries send another \$ 1 billion to LAC, led by Italy, which has significant groups of Peruvians, and Argentineans; and Great Britain, which remits mostly to the Caribbean.

Japan

The direct descendants of Japanese who emigrated to Latin America during the early 20th century, are now returning to work there. Approximately 250,000 Brazilians send \$ 2.5 billion a year through three major Brazilian banks with branch offices in Japan. Another 75,000 Peruvians send about \$ 350 – \$ 400 million. Remittances from Japan are by far the highest amounts per worker sent to LAC from any country.

Intra-Regional

There are significant communities of Haitians currently working in the Dominican Republic, Nicaraguans in Costa Rica, Guatemalans in Mexico, and Bolivians in Argentina. This is a largely unreported phenomenon, which the MIF will seek to better document and analyze during 2003. Best estimates indicate that there are currently about 3 million LAC immigrants living and working in other LAC countries, sending home about \$ 1.5 billion annually. Of particular interest is the enormous cross-border exchange between Haiti and the Dominican Republic, and the impact of the Argentinean economic crisis on the many Bolivians living in that country.



MULTILATERAL INVESTMENT FUND INTER-AMERICAN DEVELOPMENT BANK



MIF REMITTANCE ACTIVITIES

2001 Activities

Studies

- **Comparative study of LAC Remittances**
Inter-American Development Bank / Multilateral Investment Fund
- **Evolution of Remittances and their Impact on the Salvadorian Economy**
- *FUSADES*

Events

- **First Regional Conference on Remittances as a Development Tool**
Inter-American Development Bank / May 17

2002 Activities

Studies

- **Remittances a Development Tool: A regional Map of 2001**
Inter-American Development Bank / Multilateral Investment Fund
- **Remittances: Markets and Costs**
Inter-American Dialogue, Washington D.C. / Manuel Orozco
- **Survey of Remittance Senders: U.S. to Latin America**
Bendixen & Associates, Miami FL
- **Billions in Motion, Latino Immigrants, Remittances, and Banking**
Pew Hispanic Center, Washington D.C.

Events

- **Round Table on Remittances as a Development Tool in El Salvador**
San Salvador, February 8
- **Round Table on Remittances as a Development Tool in the Dominican Republic**
Santo Domingo, February 13
- **Regional Conference: Remittances as a Development Tool 2002**
Washington D.C. February 26
- **Round Table on Remittances as a Development Tool in Jamaica**
Kingston, September 17
- **Seminar on Remittances from Japan to Brazil and Peru**
Hamamatsu, Japan, November 9

- **Conference on Remittances and the U.S. Financial System**
Washington D.C. November 22

Projects

- **Venture Capital Fund for Returning Entrepreneurs from Japan**
Brazil, FMEE // (MIF/AT-410)
- **Promoting Migrant Remittances from Spain**
Banco Solidario, Ecuador / (MIF/AT-436)
- **Strengthening Financial and Remittances Services.**
El Salvador / FEDECACES / (MIF/AT-473)
- **Establishing a Network for Remittances to Rural Mexico**
Mexico, PANHAL/BANSEFI / (MIF/AT-459)
- **Leveraging Remittances for Local Economic Development**
Mexico, NAFIN / (MIF/AT-450)
- **Working with Hometown Associations to Promote Investment of Remittances**
Mexico, FDPC / (MIF/AT-465)
- **Strengthening Distribution Channels for Remittances.**
Dominican Republic, BHD / TC0212008

2003 Activities – Jan/Feb

Studies

- **Remittances From Spain to LAC**
Confederación Española de Cajas de Ahorro
- **Worker Remittances: An International Comparison**
Inter-American Dialogue / Manuel Orozco
- **Improving Access to the U.S. Banking System Among Recent Latin American Immigrants**
University of Massachusetts at Amherst / Sheila Bair

Events

- **Remittances from Spain to Latin America as a Development Tool**
Madrid, Spain, January 28
- **Regional Conference on Remittances as a Development Tool 2003**
Washington DC February 28

2003 Upcoming Activities

Studies

- **Leveraging Economic Impact of Remittances**
University of California at Los Angeles (UCLA)
- **Micofinance & Remittances**
Acción International, Cambridge MA
- **Andean Countries Remittance Markets**
CEPAL, Santiago Chile
- **Intra-regional Remittances in LAC**
Institute for the Study of International Migration, Georgetown University
- **Survey of Remittance Recipients in Central America**
Bendixen & Associates, Miami, FL
- **Survey of Remittance Recipients in Ecuador**
Bendixen & Associates, Miami, FL

Events

- **Remittance as a Development Tool in Ecuador**
Quito, Ecuador May 6
- **Microfinance and Remittances**
Guatemala City, Guatemala / September 3

Projects under Development

- **Promotion of Financial Services and Remittances for Local Communities**
Dominican Republic, COCEFI
- **Microenterprise Development through Remittance Transfers**
Peru, Caja Municipal de Ahorro y Crédito de Arequipa
- **Strengthening Andean Microfinance Institutions Through Remittance Transfers**
Acción Internacional
- **Remittances and Financial Services to Strengthen Credit Cooperatives**
Honduras, FACACH
- **Productive Investment in SMEs by the Salvadoran Community Abroad**
El Salvador, FUSADES
- **Migrant Remittances, Financial Institutional Development, and Rural Development**
Regional, Alianza Cooperativa Internacional