

**Deborah W. Meyers**  
**International Migration Policy Program**  
**Carnegie Endowment for International Peace**

**Outline of Presentation**

**“The Regional Map: Flows and Impact of Remittances in LAC”**

**Inter-American Development Bank**

**May 17, 2001**

1) Defining Remittances

Remittances are the money that migrants earn working abroad and then send back to their countries of origin. They are one of the most visible impacts of the migration phenomenon for migrant sending countries.

2) Sending Remittances

- a) Remittances are sent by the entire spectrum of migrants, generally on a regular schedule. (Note that about 8 million Mexico-born persons are estimated to live in the U.S. and that approximately 20-25% of El Salvador's population (1.2 million) is estimated to live in the United States.)
- b) Migrants consider numerous factors when deciding to remit, both in the United States and in their home country (such as their economic situation, degree of family unity, and economic stability and trust in the home country's financial system).
- c) Funds are remitted through a variety of means (checks, money orders, electronic transfers, couriers, the postal service, self-carry, in kind remittances), as will be discussed in more detail in the second session.

3) Remittance Data Worldwide

Global remittances were at least \$80 billion in 1999, maybe up to \$100 billion for 2000. Latin America and Caribbean (LAC) totals were almost \$18 billion in 1999 and are nearing \$20 billion. (See Graph #1)

4) Remittance Data for Latin America and the Caribbean

Of LAC's \$18-20 billion, the majority is from about 10-12 different countries (see map in packet): Brazil, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, and Peru.

5) Rate of Growth of Remittances

Remittances have grown steadily over the last ten years. The highest growth rates, though, over last five years are for Ecuador, whose remittances increased fivefold (538%) between 1995 and 1999 and Nicaragua, whose remittances increased threefold (300%) in that same time. Remittances to Honduras increased one and a half times as much (167%) and almost doubled (91%) to the Dominican Republic. They increased (61%) for Mexico and actually decreased 59% for Brazil and 28% for Colombia over those same five years. (See Graphs #2 and #3)

#### 6) Explanation of Data

Note that all remittance data are estimates. No one really knows the exact amounts. Data generally are considered underestimates, since most include only the officially recorded flows. Reliable data are not available for all countries. The remittance data for this conference is based on officially reported data (such as IMF Balance of Payments statistics and World Bank statistics, generally based on central bank reports) and then adjusted upward by 15%. Mexico has among the most sophisticated tracking system for remittances.

#### 7) Remittances By LAC Country

The largest recipient country in total dollars is Mexico (\$6.8 billion), followed by Brazil (\$1.9 billion), the Dominican Republic (\$1.75 billion), El Salvador (over \$1.5 billion), and Ecuador (\$1.25 billion). (See Graph #4)

#### 8) Relative Importance of Remittances for Different Countries

The dollar value alone does not indicate the relative importance of remittances to each country. Doing so requires a comparison of remittances with economic indicators such as GDP and Exports. For instance, remittances are relatively less important to Mexico than they are to a small country such as Haiti, where they are equivalent to around 17% of GDP. They also are very important to the economies of Nicaragua (15%), El Salvador and Jamaica (13% each), and the Dominican Republic (10%). By comparison, it's only 1% of Mexico, Peru, and Colombia's GDP, and less than 1% of Brazil's. (See Graph #5)

In comparison with exports, remittances are most important to Haiti, El Salvador, and Nicaragua and least important to Brazil, Colombia, and Mexico. When comparing the total estimated remittances to the recipient country's population, Jamaica and El Salvador have the highest per capita rates. The Dominican Republic (\$218) and Ecuador (\$103) are close behind, whereas the rates for Brazil (\$11) and Colombia (\$14) are much, much lower. (See Graphs #6 and #7)

9) Even with firm numbers, the total value of remittances is large and growing. Despite the person-to-person nature of remittance transfers, in the aggregate, the amounts are large enough to have significant developmental effects. This is particularly true for certain countries with smaller GDPs and a smaller influx of foreign currency.