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## *Introduction*

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**R**emittances – the portion of international migrant workers’ earnings sent back to countries of origin – have for generations been a traditional means of financial support to family members remaining in less-developed countries.

As the scale of migration has increased in recent years and the growth of remittances has accelerated dramatically, the social and economic impact of this phenomenon now transcends family relationships and is drawing national and international attention.

Nowhere is this more apparent than in Latin America and the Caribbean (LAC), where remittances now constitute a critical flow of foreign currency to the majority of countries. The implications for national economies – and the corresponding potential multiplier effect on GDP, consumption and investment – are becoming major financial and development issues throughout the region.

The following statistical overview is provided as background to the conference “Remittances as a Development Tool: A Regional Conference,” sponsored by the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB), and the Inter-American Dialogue, on May 17-18, 2001, at IDB Headquarters in Washington, D.C. This conference will address three key themes: the economic role of remittances, reducing the cost of transfers, and channeling migrant capital more toward investment opportunities.

The data presented here are drawn from calculations provided by central banks of remittance-receiving countries through 1999, and publications of the World Bank, the International Monetary Fund, and the United Nations. However, as many remittances flow through private networks connecting expatriate communities with their homelands, experts generally agree that available statistics seriously under-report the actual volume of transfers. To address this issue, the following analysis has adjusted figures using a conservative estimate of 15% under-reporting for remittances. However, it is likely that the magnitude of these flows is actually higher than estimated in this document.

## *Remittances at a Regional Level*

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**M**igration trends of Latin American and Caribbean (LAC) populations reflect not only movements to other parts of the world, but also demonstrate important shifts within the region as migrants seek opportunities in neighboring countries. For example, there are significant communities of Bolivian migrants in Argentina, Nicaraguans in Costa Rica, Guatemalans in Mexico, Peruvians in Chile, and Haitians in the Dominican Republic.

When migrating to other regions, destinations within the European Union are increasingly favored. Latin Americans make up approximately 18% of the registered foreigners in Spain (mainly Ecuadorans) and close to 10% in Italy. Japan is currently experiencing a “return migration” of a quarter million temporary workers from Brazil, mostly the direct descendants of Japanese migrants who went to Brazil during the first half of the 20<sup>th</sup> century. However, for the last two decades, the preferred destination for the majority of Latin American and Caribbean migrants has been North America, and particularly the United States. According to the 2000 US Census, approximately 5% of the current US population (some 14.47 million people) originally came from LAC countries.

These workers typically send home an average remittance of \$250 eight to ten times a year. For the LAC region, this flow reached an estimated \$20 billion for the year 2000. This represents not only a massive transfer of funds, but also involves some 80 million separate transactions annually.

In this report, MIF surveyed data from 12 leading remittance-receiving countries that account for approximately 90% of the Latin America and the Caribbean total.<sup>1</sup> The value of remittances into the region:

- exceeds Official Development Assistance (ODA) inflows;
- is equal to nearly one-third of the region’s Foreign Direct Investment (FDI);
- accounts for at least 10% of GDP in six countries – Haiti: 17%; Nicaragua: 14.4%; El Salvador: 12.6%; Jamaica: 11.7%; the Dominican Republic: 10.0%; Ecuador: 10.0%;
- is more than 150% of the interest paid on the total LAC external debt during the past five years.

- In Mexico, remittances exceed 160% of the agricultural exports, equal tourism revenues, are more than two-thirds of the oil exports, and 60% of FDI.
- Salvadoran workers abroad are sending remittances worth nine times the ODA received, and nearly seven times total FDI.
- Remittance flows to the Dominican Republic, the third-highest volume in the region (surpassed only by Mexico and Brazil), are triple the value of total agricultural exports.
- Jamaica receives the highest volume of remittances per capita, followed by El Salvador.
- Remittances to Ecuador are the fastest growing in the region, and are valued at twice the country's FDI and more than three times the revenues from tourism.
- Remittances to Colombia are equal to half the value of the country's coffee exports and are growing rapidly.

The outlook for remittance flows to Latin America and the Caribbean in the upcoming years is striking. If immigration patterns and the economic needs of receiving countries continue at current levels, the importance of remittances to the region will keep growing significantly.<sup>2</sup> At current growth rates, cumulative remittances to Latin America and the Caribbean for the coming decade (2001-2010) will reach more than \$300 billion.

Key challenges for the future will be to:

- promote competition to help lower the costs of transactions;
- increase the participation of formal financial institutions as a means to mobilize savings and leverage the impact of remittances;
- develop and test new financial mechanisms that could channel at least a small portion of these funds into productive investments in Latin America and the Caribbean.

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<sup>1</sup> The 12 countries surveyed in this report include Brazil, Colombia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, and Peru. (Remittances to Cuba, which are estimated to be at least \$800 million, are not included in this report.)

<sup>2</sup> In recent years, overall remittances in the region have been increasing at 7-10% annually. However, for some countries such as Ecuador, Colombia, and Venezuela, the expected increase is much higher. For purposes of this projection, the lower figure of 7% has been applied.

## *Remittances by Country*

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**Remittances & Selected Indicators 1999 \***

	(millions)
Population	<b>168.40</b>
Remittances	<b>\$1,898</b>

**Remittances as compared to: (% of)**

**General Indicators**

Official Development Assistance (ODA)	1928%
Foreign Direct Investment (FDI)	6%
Gross Domestic Product (GDP)	0.3%

**Tourism & Main Exports**

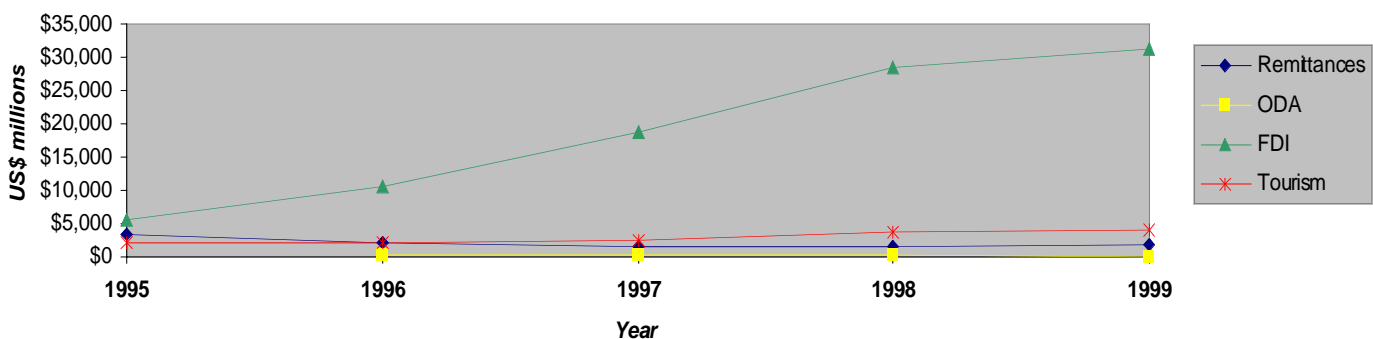
Tourism	48%
Transport Equipment Exports	29%
Metalurgic Products Exports	38%
All Agriculture Exports	11%
Exports (f.o.b)	4%

More than 700,000 Brazilian migrants now live in the United States. Paraguay is the next most popular destination, with 350,000, followed by Japan, with 250,000 ‘temporary workers’ who are direct descendants of Japanese migrants who came to Brazil in the first half of the 20<sup>th</sup> century.

An important portion of remittances to Brazil flows along family and private channels, making official figures significantly under-reported. 1999 estimates of \$1.9 billion in remittances are undoubtedly understated, because three major Brazilian banks reported for the same year that total remittances from migrants in Japan alone ranged from \$1.2 billion to \$1.6 billion. Even when officially recorded transfers are considered alone, Brazil remains the second largest remittances' receiver in the hemisphere.

Recorded remittance levels are equal to half of total tourism revenues and nearly twenty times the amount of net official development assistance to the country.

**Remittances to Brazil Compared with ODA, FDI, and Tourism (1995-1999)**



\* See Annex I for description.



## Remittances & Selected Indicators 1999 \*

	(millions)
Population	<b>41.50</b>
Remittances	<b>\$612</b>

## Remittances as compared to: (% of)

### General Indicators

Official Development Assistance (ODA)	209%
Foreign Direct Investment (FDI)	44%
Gross Domestic Product (GDP)	0.7%

### Tourism & Main Exports

Tourism	60%
Oil Exports	16%
Coffee Exports	46%
All Agriculture Exports	16%
Exports (f.o.b)	5%

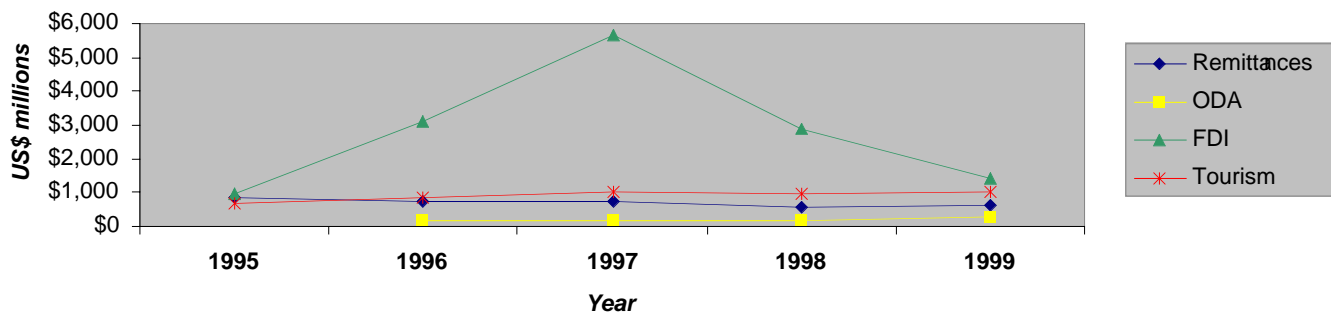
Some two million Colombians now live in the United States, and a million live in the New York City area alone. After the U.S., the second most popular destination country for Colombian migrants is Costa Rica.

Recently, growing migration has dramatically increased the rate of remittances to Colombia. According to government estimates, some 1.1 million Colombians have migrated in the past two years.

Even with 1999 figures, the impact of remittances is apparent. While still relatively small compared to GDP, they nevertheless represent twice the value of ODA, 60% of tourism, half the value of Colombia's coffee exports, and 16% of oil exports (Colombia is the seventh-largest source of U.S. crude oil imports).

While official figures are not yet available for 2000, recent emigration trends indicate that remittances have been increasing by at least 10-15% annually.

Remittances to Colombia compared with ODA, FDI, and Tourism (1995-1999)



\* See Annex I for description.





# The Dominican Republic

## Remittances & Selected Indicators 1999 \*

	(millions)
Population	<b>8.30</b>
Remittances	<b>\$1,747</b>

## Remittances as compared to: (% of)

### General Indicators

Official Development Assistance (ODA)	1150%
Foreign Direct Investment (FDI)	129%
Gross Domestic Product (GDP)	10.0%

### Tourism & Main Exports

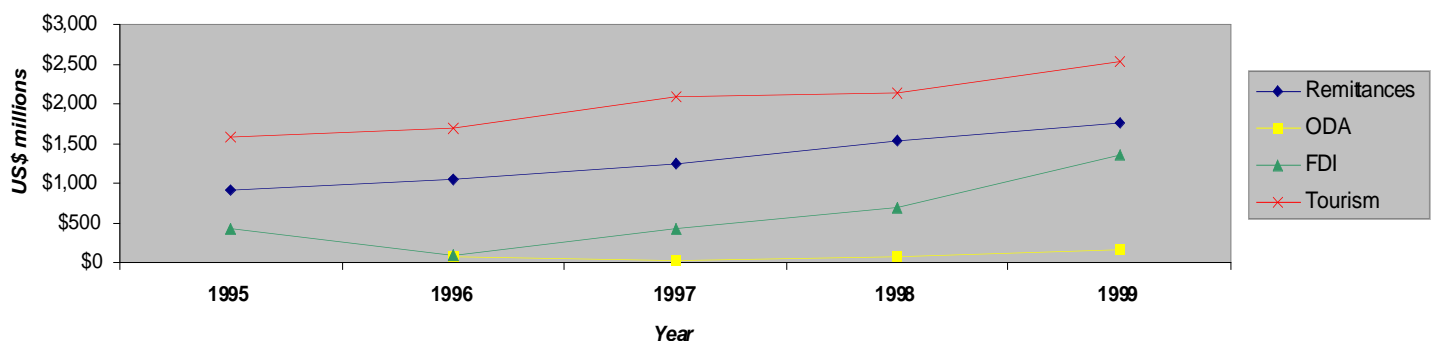
Tourism	69%
Sugar / Derivates Exports	1164%
Ferro-nickel Exports	1248%
All Agriculture Exports	290%
Exports (f.o.b)	34%

At least two million Dominicans now reside in the United States, particularly in the South and the Northeast. It is estimated that more than one million Dominicans now live in the New York metropolitan area alone.

Despite its relatively small size, the Dominican Republic receives the third-highest volume of remittances in the region, after Mexico and Brazil. Annual remittances account for 10% of GDP, and amount to more than two-thirds of the income from tourism – the country's largest single source of revenue.

Remittances help offset a significant trade deficit and account for more than eleven times official development aid.

Remittances to the Dominican Republic Compared with ODA, FDI, and Tourism (1995-1999)



\* See Annex I for description.



## Remittances & Selected Indicators 1999 \*

	(millions)
Population	12.40
Remittances	\$1,247

## Remittances as compared to: (% of)

### General Indicators

Official Development Assistance (ODA)	967%
Foreign Direct Investment (FDI)	196%
Gross Domestic Product (GDP)	10.0%

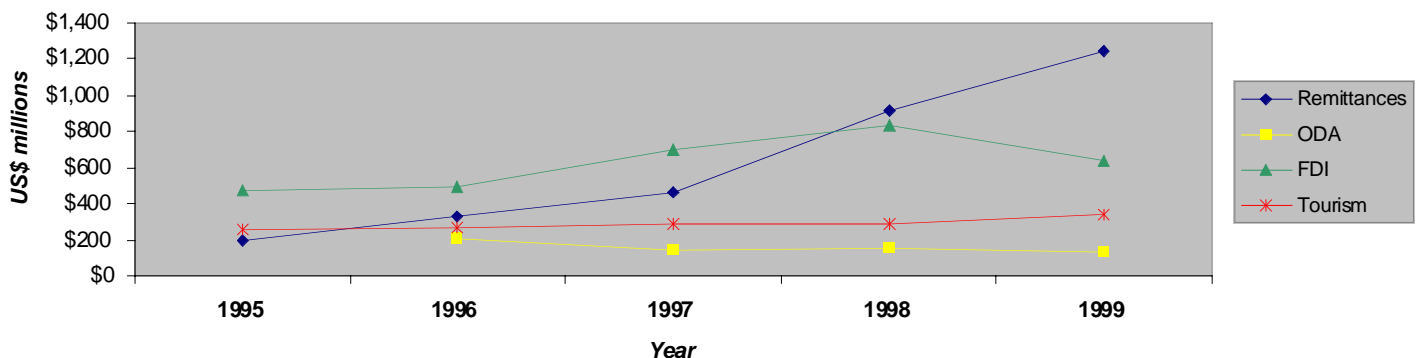
### Tourism & Main Exports

Tourism	363%
Oil / Oil Products Exports	84%
Banana Exports	511%
All Agriculture Exports	45%
Exports (f.o.b)	28%

In the last two years, an estimated half million Ecuadorans have left their country. Currently, more than a quarter million are living in the United States, and many others have settled in Spain. Remittances are playing an increasingly critical role in the economy, and account for 10% of GDP.

Ecuador has the fastest-growing rate of remittances of any country in the region. Remittances represent the second-largest source of foreign currency after oil exports, bring in five times as much as banana exports, twice as much as FDI, and three times more than tourism revenues.

Remittances to Ecuador Compared with ODA, FDI, and Tourism (1995-1999)



\* See Annex I for description.



## Remittances & Selected Indicators 1999 \*

	(millions)
Population	<b>6.20</b>
Remittances	<b>\$1,580</b>

## Remittances as compared to: (% of)

### General Indicators

Official Development Assistance (ODA)	910%
Foreign Direct Investment (FDI)	684%
Gross Domestic Product (GDP)	12.6%

### Tourism & Main Exports

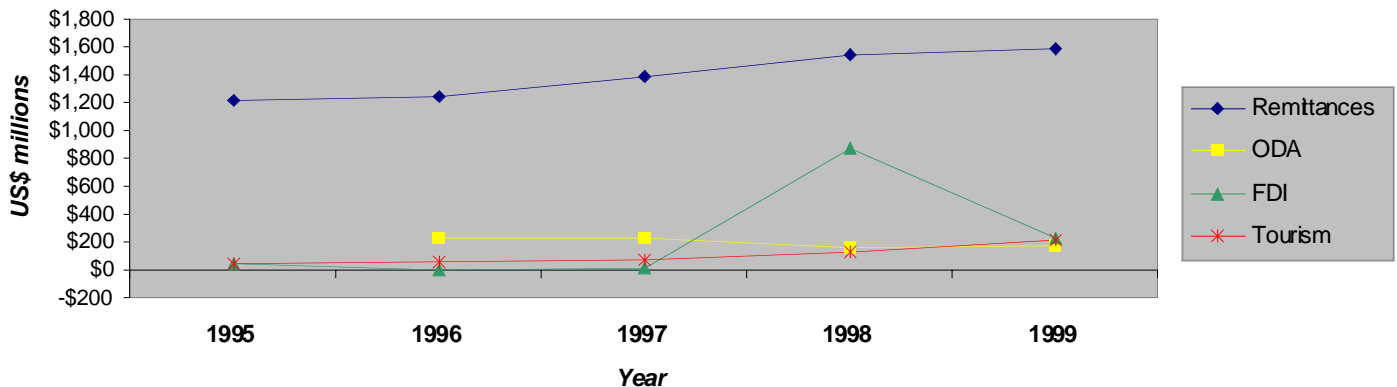
Tourism	749%
Coffee Exports	647%
Maquiladora Exports	119%
All Agriculture Exports	211%
Exports (f.o.b)	63.2%

More than a million Salvadorans are currently living in the United States, which makes the U.S. by far the number-one host country for Salvadorans living outside of their country. El Salvador receives the second-largest per capita inflow of remittances in the region.

Increasingly, El Salvador is relying on remittances to sustain its economy. This was underscored recently when the Salvadoran government requested that the U.S. extend the time available for Salvadorans residing in the U.S. to continue to work there and send remittances back to support recovery in the wake of the recent earthquakes.

Comparative indicators clearly demonstrate the importance of remittances to the Salvadoran economy. Annual remittance inflows surpass every single economic indicator listed, with the exception of total exports, and account for 12.6% of the country's GDP.

Remittances to El Salvador Compared with ODA, FDI, and Tourism (1995-1999)



\* See Annex I for description



## Remittances & Selected Indicators 1999 \*

	(millions)
Population	<b>10.10</b>
Remittances	<b>\$535</b>

## Remittances as compared to: (% of)

### General Indicators

Official Development Assistance (ODA)	232%
Foreign Direct Investment (FDI)	364%
Gross Domestic Product (GDP)	3.0%

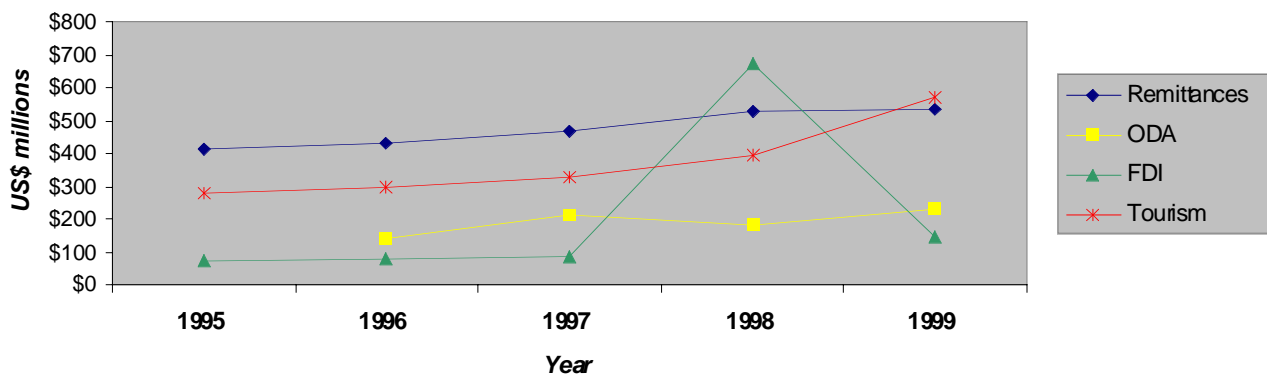
### Tourism & Main Exports

Tourism	94%
Coffee Exports	96%
Sugar Exports	279%
All Agriculture Exports	32%
Exports (f.o.b)	19.3%

More than half a million Guatemalans have left their country in recent years. Most have moved to the United States, but sizable Guatemalan communities are continuing to grow in Mexico and Canada. The country's slow economic growth is one of the factors leading to more Guatemalans migrating to look for work elsewhere.

In 1999, remittances almost equaled earnings from coffee exports and were nearly three times the revenues from sugar, the second major export industry. Remittances surpassed the combined amounts of official development assistance and foreign direct investment, and nearly equaled revenues from tourism.

Remittances to Guatemala Compared with ODA, FDI, and Tourism (1995-1999)



\* See Annex I for description.



**Remittances & Selected Indicators 1999 \***

	(millions)
Population	<b>7.90</b>
Remittances	<b>\$720</b>

**Remittances as compared to: (% of)**

**General Indicators**

Official Development Assistance (ODA)	458%
Foreign Direct Investment (FDI)	2400%
Gross Domestic Product (GDP)	17.0%

**Tourism & Main Exports**

Tourism	1241%
Light Manufacture Exports	452%
Metalurgic Products Exports	4186%
All Agriculture Exports	5455%
Exports (f.o.b)	220%

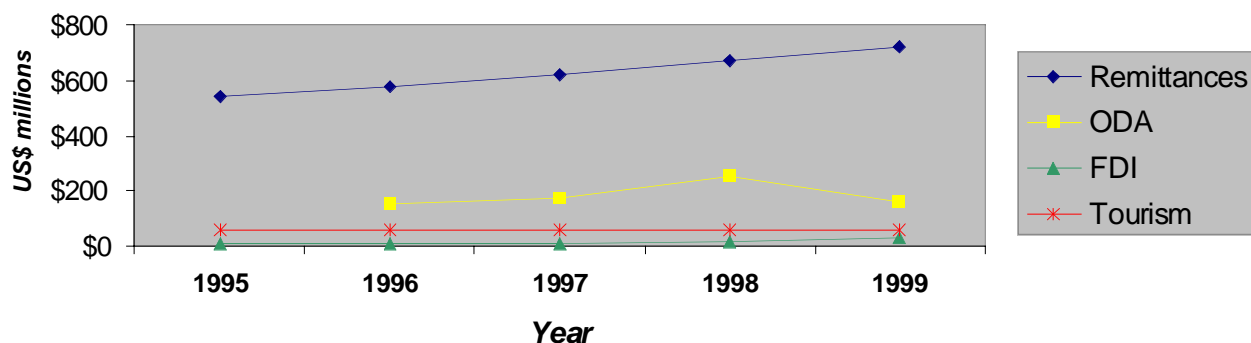
More than a million Haitians have migrated out of their country, settling primarily in southern Florida, New York, and Massachusetts, or migrating to the neighboring Dominican Republic.

Many of these migrants are skilled workers, and their remittances are playing a crucial role in sustaining the Haitian economy.

Haiti's major economic decline in recent years has solidified its position as poorest country in the region. Remittances now account for 17% of the country's GDP, which is the highest percentage in the region.

Total remittances in 1999 were \$720 million, bringing in more than twice the total revenues from exports, and more than four times the amount of official development assistance.

**Remittances to Haiti Compared with ODA, FDI, and Tourism (1995-1999)**



\* See Annex I for description.



## Remittances & Selected Indicators 1999 \*

Population	(millions) <b>6.31</b>
Remittances	<b>\$368</b>

## Remittances as compared to: (% of)

### General Indicators

Official Development Assistance (ODA)	104%
Foreign Direct Investment (FDI)	160%
Gross Domestic Product (GDP)	6.8%

### Tourism & Main Exports

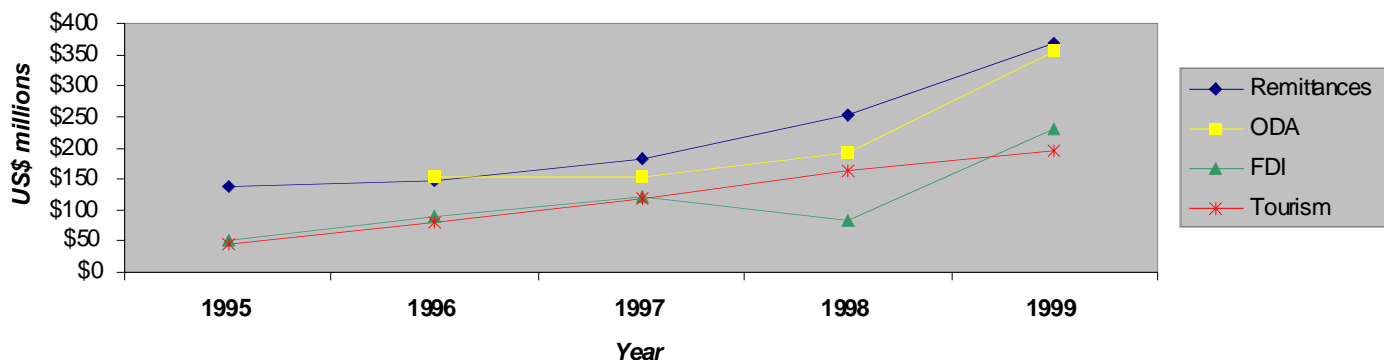
Tourism	189%
Transport Equipment Exports	56%
Metalurgic Products Exports	73%
All Agriculture Exports	45%
Exports (f.o.b)	21%

More than half a million Hondurans currently live in the United States, mainly in the South, and particularly in the New Orleans area.

The role played by remittances in Honduras has markedly increased since Hurricane Mitch struck in 1998. The country has the second-fastest-growing rate of remittances in the region (after Ecuador), reaching a 45% annual increase in 1999.

Annual remittances are nearly twice the revenue from tourism, and approximately equal to official development assistance flows. For 2000, the projected estimate for total remittances surpasses \$400 million.

Remittances to Honduras Compared with ODA, FDI, and Tourism (1995-1999)



\* See Annex I for description.



**Remittances & Selected Indicators 1999 \***

	(millions)
Population	<b>2.60</b>
Remittances	<b>\$781</b>

**Remittances as compared to: (% of)**

**General Indicators**

Official Development Assistance (ODA)	3442%
Foreign Direct Investment (FDI)	150%
Gross Domestic Product (GDP)	11.7%

**Tourism & Main Exports**

Tourism	63%
Alumina Exports	130%
Sugar Exports	919%
All Agriculture Exports	12%
Exports (f.o.b)	52%

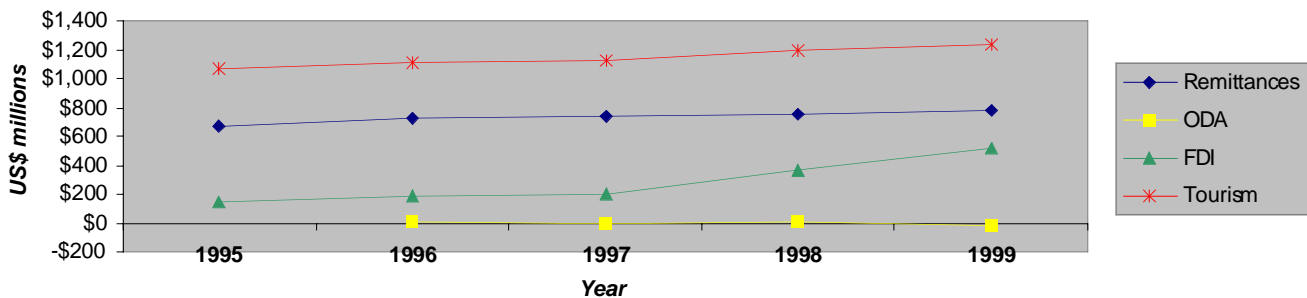
The United States is the primary host country for migrant Jamaicans, followed by Canada and the United Kingdom.

With nearly as many Jamaicans residing abroad as in the country, remittances have long played a vital role in the economy. On a per capita basis, Jamaica receives the highest remittance inflows of any country in the region.

Annual remittances for 1999 were estimated to total more than 50% of the country's income from exports and 63% of the revenues from tourism.

Remittances account for nearly 12% of GDP, bring in 1\_ times the value of FDI, and are almost thirty-five times greater than the amount of official development assistance.

**Remittances to Jamaica Compared with ODA, FDI, and Tourism (1995-1999)**



\* See Annex I for description.



## Remittances & Selected Indicators 1999 \*

	(millions)
Population	<b>97.30</b>
Remittances	<b>\$6,795</b>

The United States has long been the favored destination for Mexican migrants. Almost eight million U.S. residents were born in Mexico, and there are currently hundreds of active hometown associations.

## Remittances as compared to: (% of)

### General Indicators

Official Development Assistance (ODA)	31029%
Foreign Direct Investment (FDI)	60%
Gross Domestic Product (GDP)	1.4%

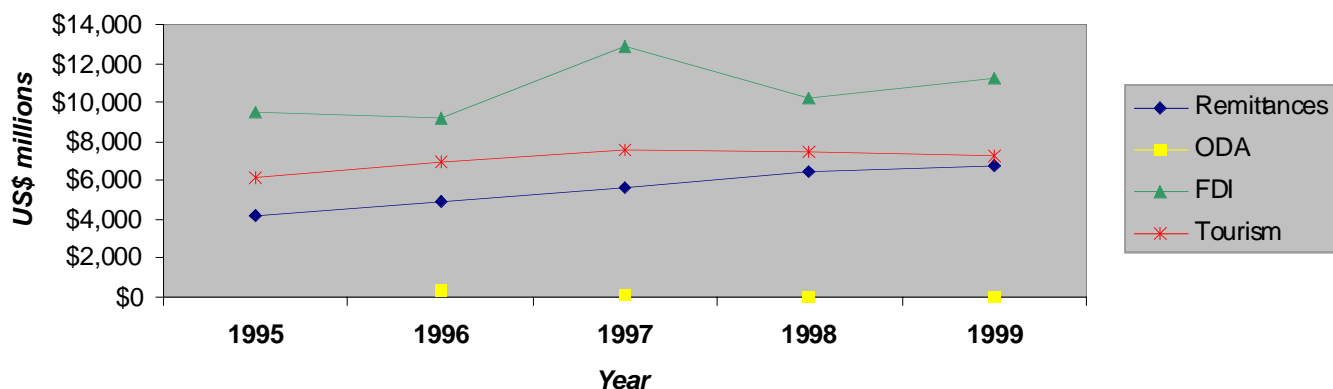
Remittances to Mexico represent a major international flow of funds, reaching nearly \$7 billion in 1999, and accounting for 39% of the total remittances entering Latin America and the Caribbean.

### Tourism & Main Exports

Tourism	94%
Maquiladora Exports	6%
Oil Exports	68%
All Agriculture Exports	164%
Exports (f.o.b)	5%

Remittances have a long tradition in Mexico, and have a major impact on the country's economy. They are more than 1\_ times the value of agriculture exports, almost equal to tourism revenues, more than two-thirds the value of oil exports, and more than half of FDI.

Remittances to Mexico Compared with ODA, FDI, and Tourism (1995-1999)



\* See Annex I for description.





## Remittances & Selected Indicators 1999 \*

	(millions)
Population	<b>4.92</b>
Remittances	<b>\$345</b>

## Remittances as compared to: (% of)

### General Indicators

Official Development Assistance (ODA)	107%
Foreign Direct Investment (FDI)	115%
Gross Domestic Product (GDP)	14.4%

### Tourism & Main Exports

Tourism	352%
Coffee Exports	204%
Shrimp & Lobster Exports	313%
All Agriculture Exports	75%
Exports (f.o.b)	63%

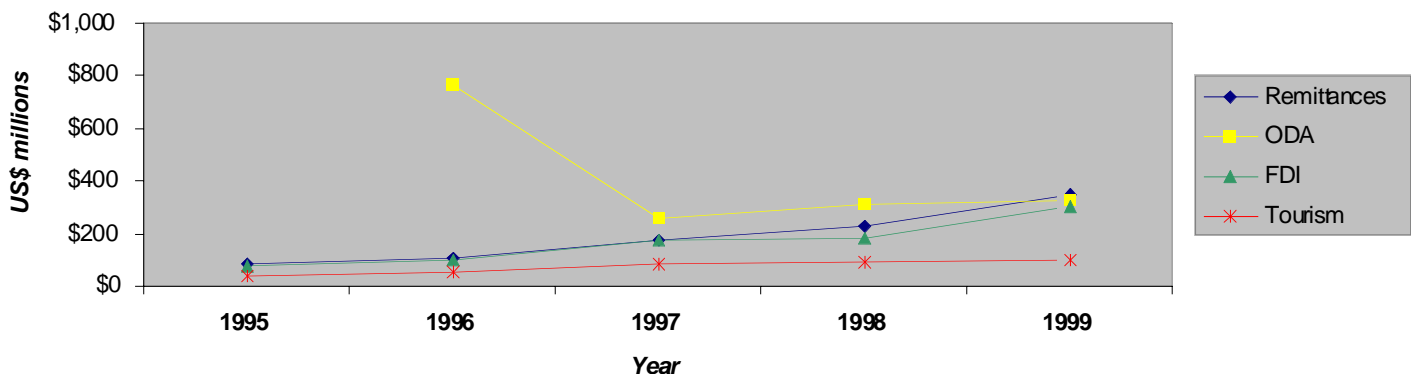
The primary destination for migrant Nicaraguan workers is the United States, followed by Costa Rica.

The remittances sent by the migrant workers are playing a crucial role in Nicaragua, accounting for 14.4% of the country's GDP in 1999.

Remittances exceed FDI, and bring in over two-thirds of the value of all exports. They are worth twice the revenues of coffee and three times those of shrimp/lobster, which are the country's two main exports.

As many of these funds flow along private and family channels, experts believe that actual remittances may be as much as twice the official estimates.

Remittances to Nicaragua Compared with ODA, FDI, and Tourism (1995-1999)



\* See Annex I for description.



**Remittances & Selected Indicators 1999 \***

	(millions)
Population	<b>25.20</b>
Remittances	<b>\$819</b>

**Remittances as compared to: (% of)**

**General Indicators**

Official Development Assistance (ODA)	201%
Foreign Direct Investment (FDI)	40%
Gross Domestic Product (GDP)	1.6%

**Tourism & Main Exports**

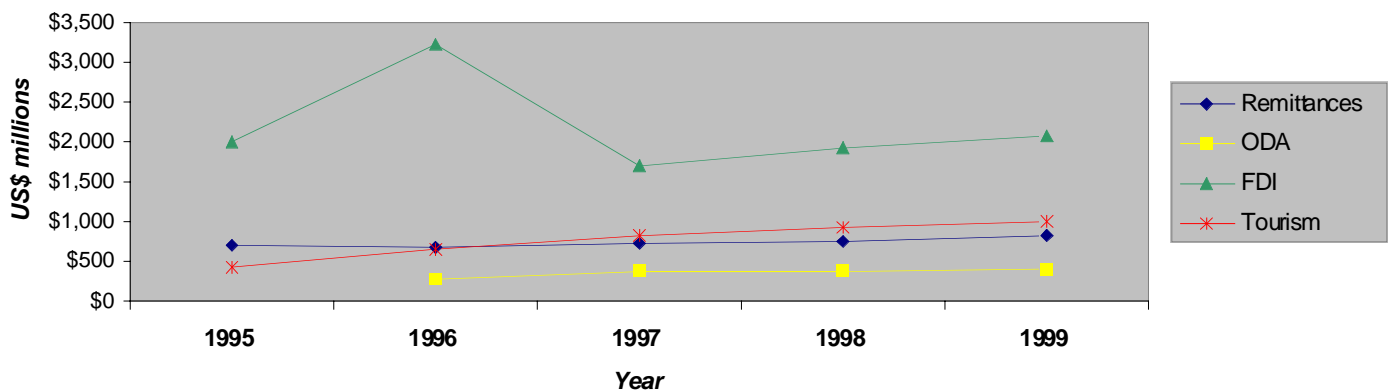
Tourism	81%
Gold Exports	69%
Fish / Fish Products Exports	104%
All Agriculture Exports	102%
Exports (f.o.b)	13%

More than a quarter million Peruvians now reside in the United States. The next most popular destinations for Peruvians leaving their country are Chile and Bolivia.

Annual remittances have been a steady source of income into the country, bringing in annual amounts close to the income from tourism.

In 1999, remittances were twice official development assistance inflows, and surpassed the value of all agricultural exports.

**Remittances to Peru Compared with ODA, FDI, and Tourism (1995-1999)**



\* See Annex I for description.

*Major Migrant Communities in the United States*

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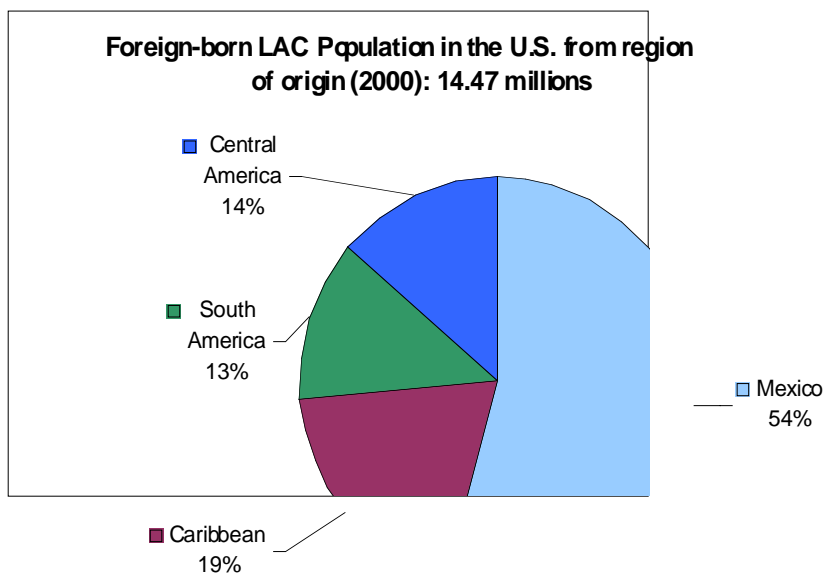
Perhaps no country in the world has such a rich history of migration as the United States. Due to a variety of economic, geographic and political factors, the flow of migrants from Latin America and the Caribbean (LAC) has accelerated over the past two decades.

The U.S. 2000 Census estimates that 14.47 million people now living in the United States were originally from LAC countries, which is five times the LAC-born population living in the U.S. two decades ago. This number represents more than half of the current total foreign-born population in the United States.

As shown below, 54% of the LAC-born population in the U.S. is from Mexico, 19% from the Caribbean, 14% from Central America, and 13% from South America. The map on the next page identifies the preferred areas of destination of these migrant communities.

With respect to the profile of the Latin American and Caribbean migrant community, the U.S. Census Bureau indicates that 95% of the LAC-born population live in the metropolitan areas. Approximately 21.5% of Latin American and Caribbean families live below the poverty level. The main professional or sector of occupations in order of importance are:

1. Operators, factory workers, and laborers: 24.8%
2. Service occupation: 22.9%
3. Technical, sales, and administrative support: 16.5%
4. Precision production, craft & repair: 15.9%
5. Managerial and professional specialists: 12.1%
6. Farming, forestry, and fishing: 7.8%



Additionally, of the year-round full-time Latin American and Caribbean foreign-born workforce, the total annual income ranges are:

- \$1 to \$10,000 : 8.9%
- \$10,000 to \$19,999 : 19.8%
- \$20,000 to \$34,999 : 27.1%
- \$35,000 to \$74,999 : 31.9%
- \$75,000 and over: 12.5%