



Remittances, Development and Poverty

Jeronimo Cortina
Rodolfo de la Garza
Department of Political Science
Columbia University
Tomás Rivera Policy Institute

Remittances: The Mexican Case

- Importance of Remittances
 - Individual Level
 - National Level
- 1. Who is more likely to send Remittances?
 - 80% family member left behind and *intend* to return home
- 2. Who is less likely to send Remittances?
 - 90% who do not have a direct family member or does not *intend* to return home
 - Second Generation Immigrants

Potential Decline

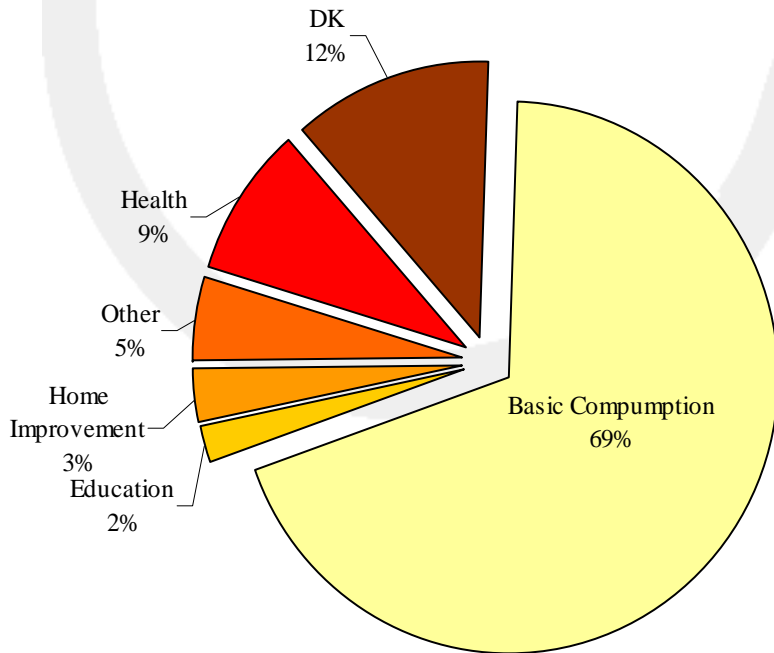
1. Public policies that would increase the probability of establishing the U.S. as permanent home
 - Migrant Amnesty
 - Lack of opportunity: Permanent migration
2. Family reunification
3. Changes in number and characteristics of immigrants
 - The case of Turkey
 - 2003: 4 million persons lived outside Turkey (50% in Germany)
 - 1985: \$1,740 millions
 - 1998: \$5,300 millions (year of the Turkish economic crisis)
 - 2003: \$1,710 millions

Number and Characteristics of Immigrants

- Turkish population in Germany, still growing but at decreasing rates
- Turkish Immigrant Characteristics
 - 1961-1967: 16% women
 - 1986: 32%
 - 1990s: 40%
- Mexican Immigrant Characteristics
 - 1980-2004: 253,000 persons annually
 - 1980-1984: Lowest average
 - 2000-2004: Highest average
 - From 1985-1989 to 1990-1994: 225%
 - From 1995-1999 to 2000-2004: 21%
- More Mexican Children and Women are Migrating

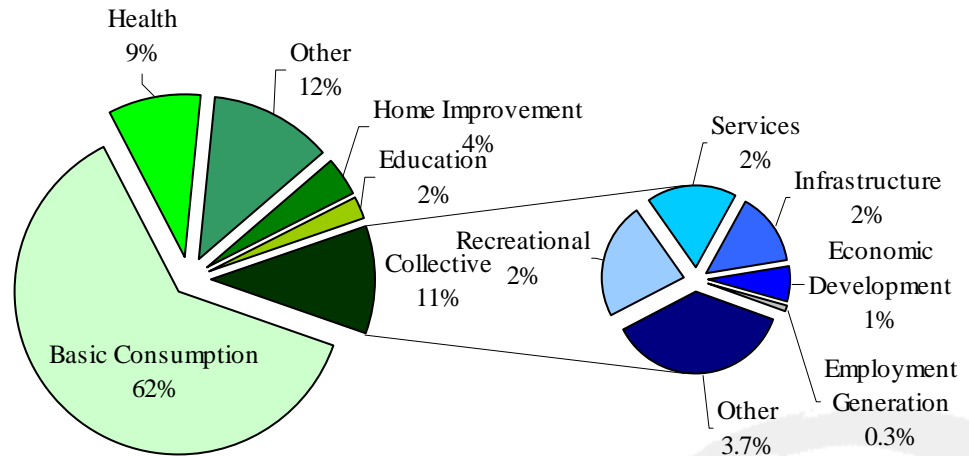
Purposes: The Case of Mexico

Remittances with Familial Purposes



69% of remitters remit for familial purposes. More than One-third of remittances are sent for basic consumption

Remittances with Familial and Collective Purposes



31% of remitters remit for familial and collective purposes. A small minority of remittances is sent for productive purposes.

Source: Cortina, Jeronimo, Rodolfo de la Garza, and Enrique Ochoa Reza. "Las Remesas Después Del Optimismo." *Foreign Affairs en Español* (2005).

Remittances and Human Development Index (UNDP)



- The 10 States that Receive More Remittances Per Capita
- The 22 States that Receive Less Remittances Per Capita



- The 10 States with Lower Human Development Index 2000-UNDP
- The 22 States with Higher Human Development Index 2000-UNDP

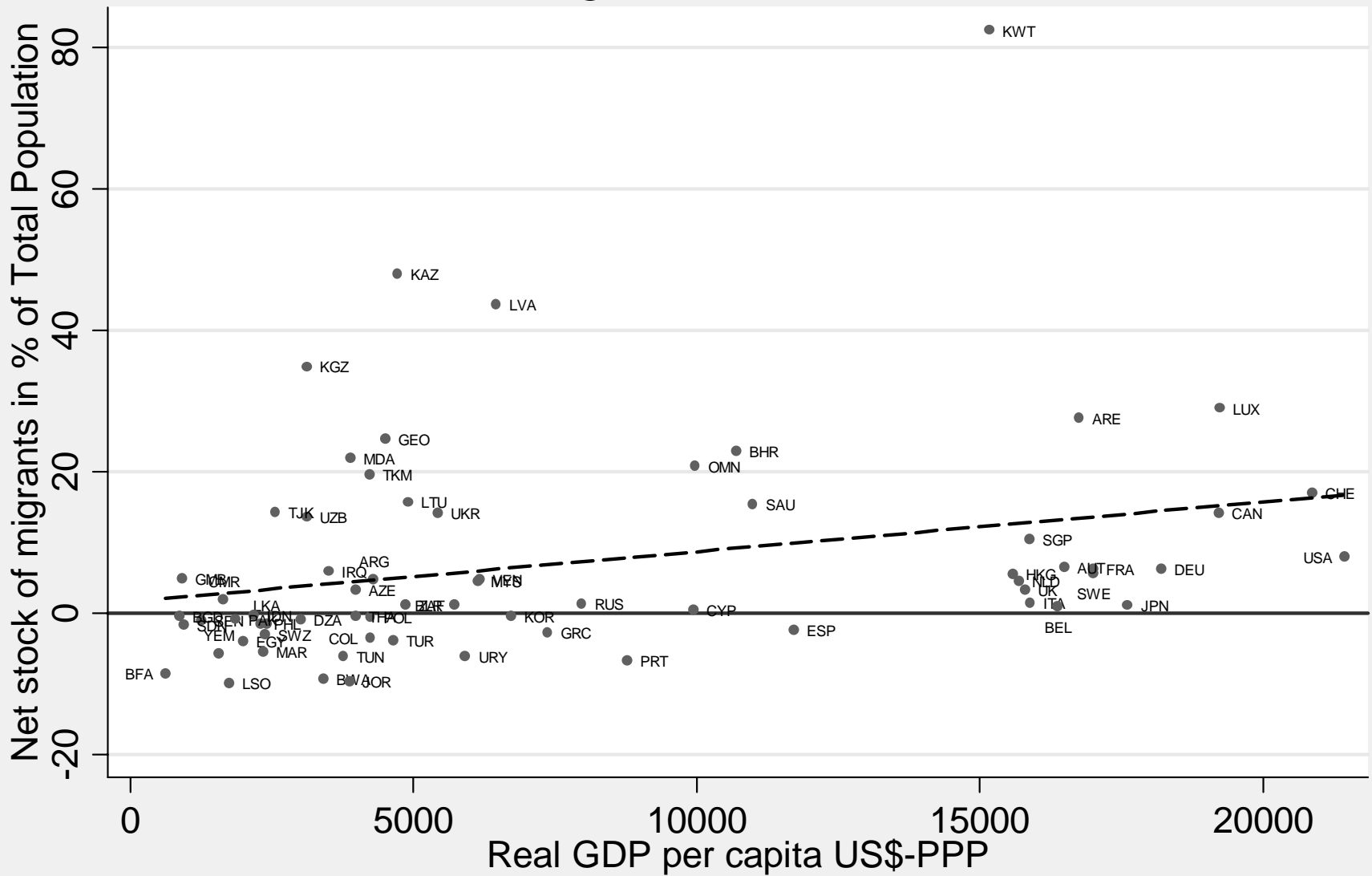
Source: Cortina, Jeronimo, Rodolfo de la Garza, and Enrique Ochoa Reza. "Las Remesas Después Del Optimismo." *Foreign Affairs en Español* (2005).

Remittances and Poverty

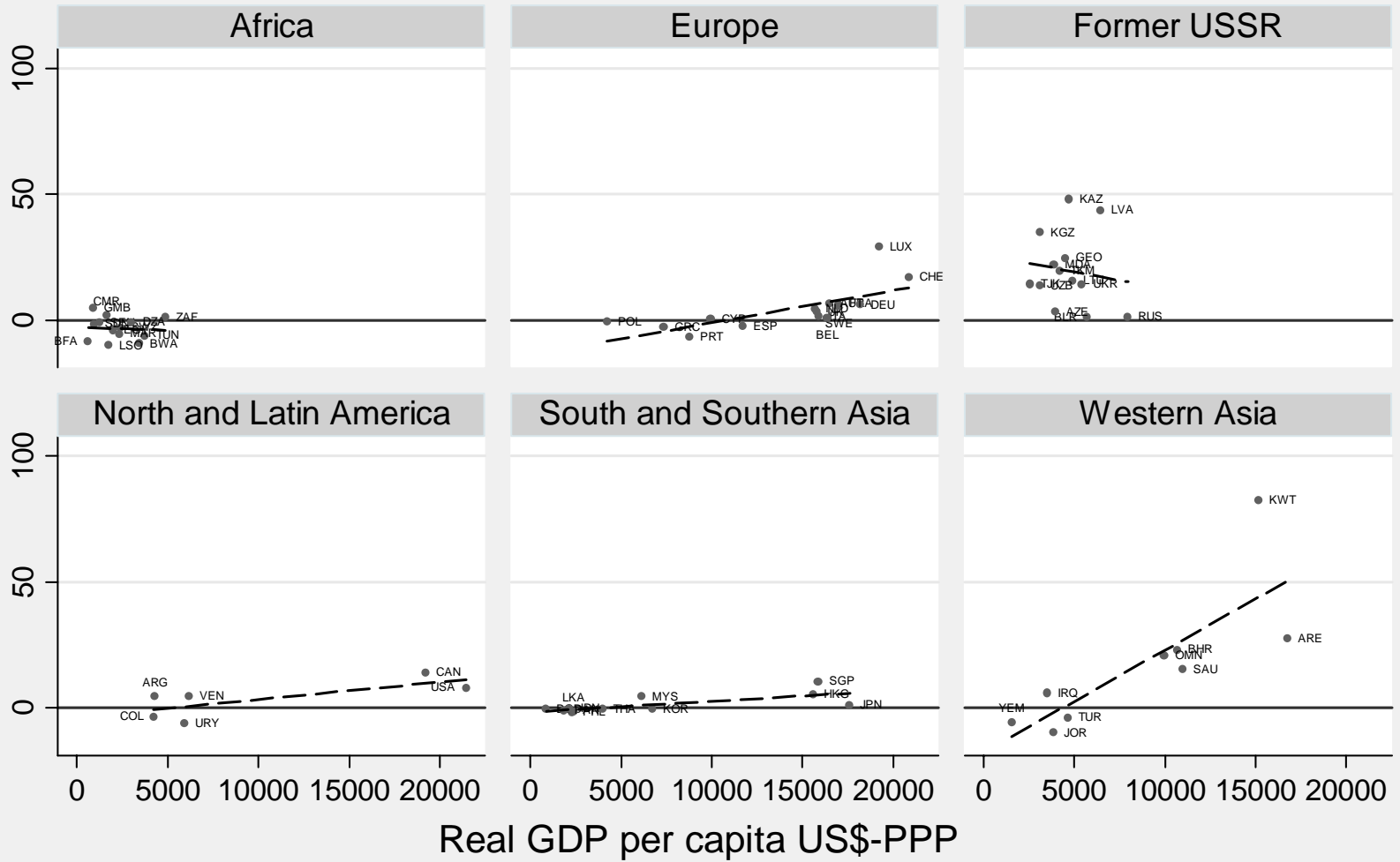
Definition of Poverty (Institution)	Remittances Per Capita (Mexico 2004)	Percentage that Remittances Represent in Each Definition of Poverty
One dollar per person per day Extreme Poverty – World Bank	91 Cents	91 %
Two dollars per person per day Poverty – World Bank	91 Cents	46 %
Twelve dollars per person per day Poverty in Mexico – OECD	91 Cents	8 %

Source: Cortina, Jeronimo, Rodolfo de la Garza, and Enrique Ochoa Reza. "Las Remesas Después Del Optimismo." *Foreign Affairs en Español* (2005).

Migration and GDP



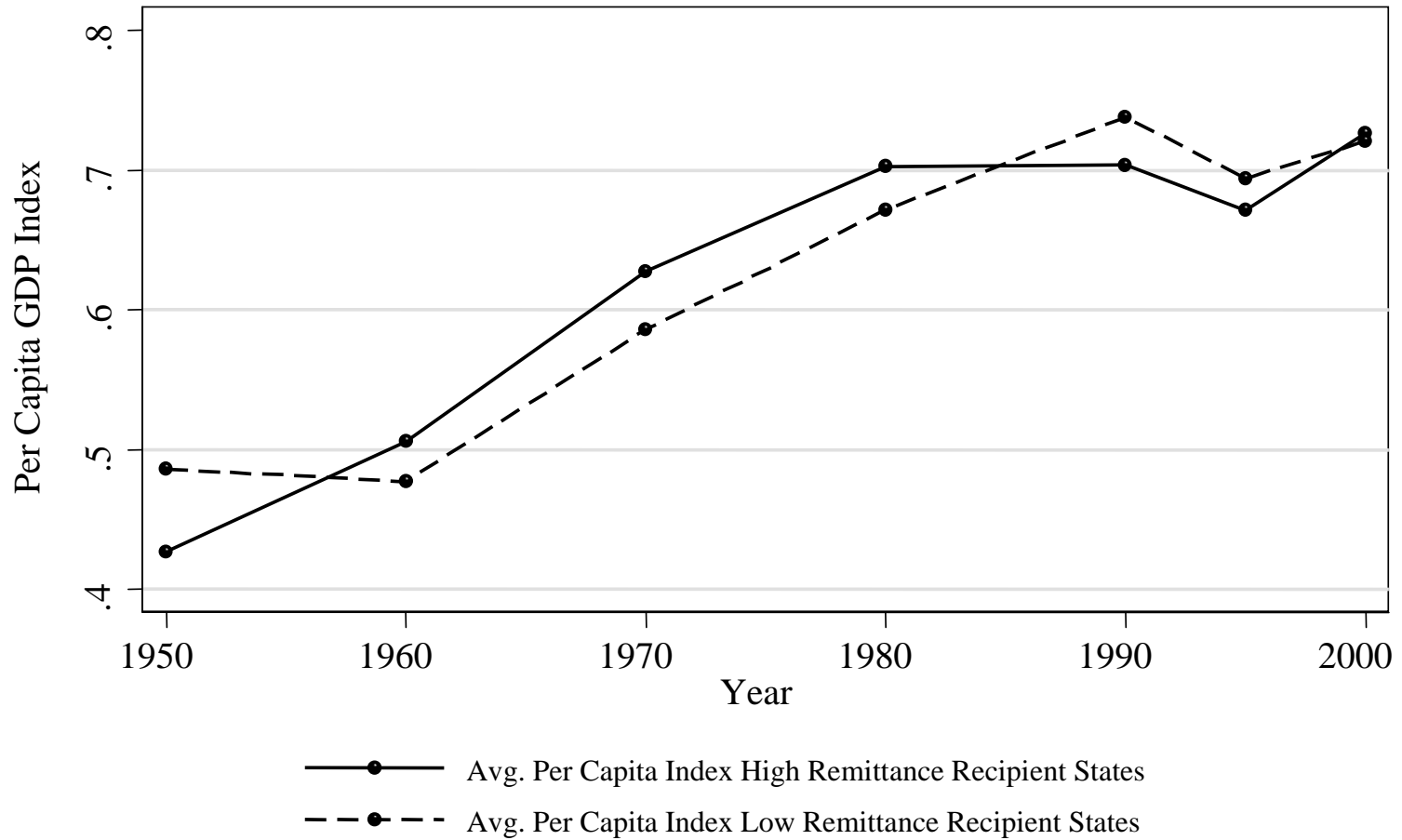
Source: Author with data from Fischer, Martin & Staubhaar, 1997



• Net Stock of Immigrants - - - - - Fitted values

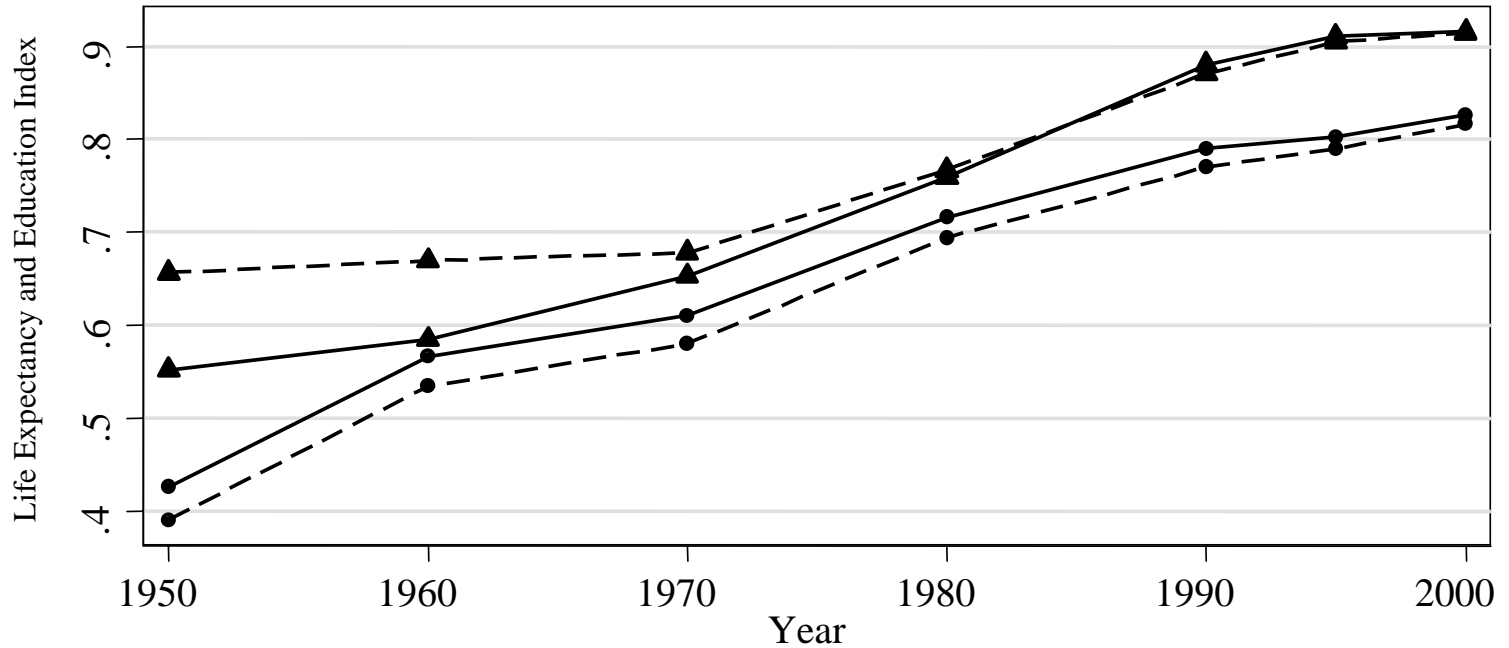
Graphs by continent

Per Capita GDP Index: 1950 - 2000 High and Low Remittance Recipient States



Source: Authors with data from UNDP (2003) and Banco de Mexico (2004)

Average Life Expectancy and Education Index: 1950 - 2000
 High and Low Remittance Recipient States



- Avg. Life Expectancy Index High Remittance Recipient States
- -●- - Avg. Life Expectancy Index Low Remittance Recipient States
- ▲— Avg. Education Index High Remittance Recipient States
- -▲- - Avg. Education Index Low Remittance Recipient States

Source: Authors with data from UNDP (2003) and Banco de Mexico (2004)

Conclusions

- Remittances are a substantial source of income
 - Individual and National Impact
- Remittances and Public Policy
 - Current Account
 - State Obligations
 - Remittances and micro-credit
 - Small amount is sent to finance productive and/or collective projects
 - Remittances and income
 - Not enough to increase income levels above extreme poverty levels