LATIN AMERICA - Remittances Rescue Millions from Poverty (Diego Cevallos, IPS)

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MEXICO CITY, Nov 25 (IPS) - The money sent home by migrants from Latin America and the Caribbean amounted to 45 billion dollars last year, double the total from 10 years ago. Thanks to these remittances, an estimated 2.5 million people in the region have been able to escape poverty.

Although remittances do little to reduce poverty for the population at large, the impact is huge for those who directly receive the money from abroad. At least half of the people in households with ties to emigrants would be poor if they did not receive remittances, while others who are living in poverty would be extremely poor.

These are some of the conclusions reached by the Social Panorama of Latin America 2005, released Friday by the Economic Commission on Latin America and the Caribbean (ECLAC) at its headquarters in Chile.

The report states that poverty and extreme poverty in the region, which affect a total of 301 million people, are slowly being reduced thanks to remittances.

Francisco Morales, whose 25-year-old son José sends him 200 dollars a month from the United States, told IPS that "I would be in the streets" without the extra income.

"Here (in Mexico City) there is no work, and I need medication for my diabetes. Plus, my daughter is still studying and needs help. So that money contributes to reducing our poverty," said Morales, a widower who works as a night doorman in an apartment building.

If Mexico, which receives nearly 40 percent of the region’s total remittances, did not have that income, the poverty rate in rural areas would be 10 percent higher, according to the National Population Council.

The countryside, home to 25 million of Mexico’s 104 million people, accounts for 75 percent of the country’s poor.

The remittances received by the region doubled in the past 10 years and are still growing. Mexico and Central America account for 55 percent of the total, South America 31 percent, and the Caribbean 14 percent.

The majority of the funds come from immigrants living in the United States. But significant amounts are also sent home from migrants in Canada, Spain and Japan, which is home to more than 254,000 Brazilians, according to a 2004 study by the Organisation of American States (OAS).

The OAS study also noted that remittances do not in and of themselves represent a solution to poverty, and that in many - perhaps most - cases, the funds represent temporary relief from poverty for families, rather than a permanent route to financial security.

ECLAC notes that the economies of Haiti, Nicaragua, Guyana and Jamaica are heavily dependent on migrant remittance flows, which represent between 29 and 16 percent of their gross domestic product (GDP).

In other countries, like Ecuador, Mexico and El Salvador, remittance flows outstrip foreign direct investment, and in some cases they are equivalent to over 50 percent of total export revenues.

In fact, the money sent home by those who leave their countries - whether as a result of poverty, international economic dynamics or family reunification - is of such crucial importance to the region that governments throughout Latin America and the Caribbean have adopted measures to facilitate its flow.

At the Special Summit of the Americas held in Monterrey, Mexico in January 2004, the governments of the hemisphere committed to taking concrete steps to reduce the cost of sending remittances by at least one half.

Some of the region’s governments are also working on establishing programmes through which part of the money contributed by emigrants is channeled into development projects.

"A lot of governments practically force their people to leave and then try to take advantage of the money they send back. It’s a paradox that reflects the contradictions, injustices and major economic problems in our countries," secondary school economics teacher Tomás Vergara remarked to IPS.

According to the new ECLAC report, figures from 11 countries in the region show that the impact of remittances with regard to poverty among the population as a whole is of little significance.

The greatest effects are observed in El Salvador and the Dominican Republic, where the addition of remittances to household income reduces overall poverty by 4.5 percent and 2.2 percent, respectively. In the other countries of the region, the resulting decreases are less than two percent, the report reveals.

Nevertheless, it adds, a very different picture emerges when analysing the impact of remittances on the households that receive them.

In the 11 countries studied - Bolivia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, and Uruguay - it was determined that 50 percent or more of the people who live in recipient households would drop below the poverty line if it were not for the income they receive through these money transfers.

A significant number of households are lifted out of extreme poverty thanks to the remittances sent from abroad, says the study, and while there are also households that remain poor despite receiving remittances, this source of income nonetheless reduces the gap between their total income and the poverty line.

The limited impact of remittances on poverty in general in the region is due to the fact that the proportion of households that receive this financial support is no greater than 16 percent of the total in the 11 countries studied by the regional U.N. agency’s report.

Nevertheless, remittances spare millions of people in the region from the grip of poverty, including at least 2.5 million in the 11 countries evaluated, ECLAC concluded.

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