

## INTRODUCTION

- Current poverty reduction strategies in LAC countries underestimate the impact of migratory movements and remittances on social inclusion and do not fully include migration as a component of their strategies.
- The Center for Urban Development Studies is undertaking a study to document and analyze the impacts of migratory flows in Cuenca, Ecuador and Maracaibo, Venezuela sponsored in part by the David Rockefeller Center for Latin American Studies at Harvard University. We plan to expand the research to cover other cases depending on funding possibilities given the importance of migratory movements in Latin America. This paper presents some preliminary findings of the study which is still in progress.

### 1 IMPORTANCE OF THE TOPIC

- In the past decade, but particularly since the mid 90's, Latin America has experienced a dramatic increase in migratory population flows across national boundaries regionally and internationally.
- The LAC migration is also fueled by growing disparities in the distribution of wealth aggravated by globalization, restructuring of national economies and a succession of financial crisis. Wars and natural disasters have generated overlays of migratory flows of a more or less temporary character.
- According to recent studies by the IADB, remittances from these migrants to their home countries have grown by 40% since 2000, reaching \$32 billion in 2002. This increase has propelled Latin America to the forefront as the largest recipient of remittances accounting for 31% of the volume of remittances in the developing world.
- There are no less than 12 million LAC migrants principally in the US, from where 75% of LAC remittances in 2002 originated. Another \$1 billion were transferred by

migrants in each of Canada, Spain, and the rest of E.U. Although dwarfed by international migration, intra-regional migration involves an estimated 3 million workers who remit \$1.5 billion.

- Recent studies focus on the volume of remittances and their impact on the national economy, the modalities of transfers and the ways by which financial institutions can tap this potentially lucrative market. Because individual transactions typically involve amounts of \$100 to \$300, banks have largely left this market to money transmitting companies and postal services in addition to various categories of informal actors.

## **2 EXTERNAL MIGRATION**

- Accurate estimates of transnational migration are difficult to come by because of the predominance of extra legal movements and undocumented migrants. Unrecorded transfers are estimated to amount to 30% of transfers from the U.S. 20% to 30%. Major recipients regions are Central America, the Caribbean, and the Andean region. These remittances are a major of income for migrant sending countries.
- A study of remittance senders shows that 60% are male, have not completed high school, employed as unskilled laborers in migrant receiving countries.
- Because of the priority placed on saving and remitting migrants willingly endure difficult living conditions and accept exclusion in one location in order to acquire assets, usually land and housing, or start a business and achieve inclusion at another location.
- They differentiate between remittances sent for subsistence or basic expenditures and remittances sent for savings and investments purposes. Expenditures are part of the household's strategy for self improvement and decisions regarding the timing and sequence of investments are carefully planned.

## **2.2 Links Between Transnational Migrants and Place of Origin**

- Manuel Orozco's work on immigrant Latino communities in the US highlighted the emergence in the 1990's of hometown associations among expatriate communities and their growing role in maintaining links to places of origin. These associations combine social functions in the US with coordinated efforts to support hometowns in Latin America.
- The associations' community wide development projects are of interest since they finance infrastructure (potable water, sanitation, street paving) and community facilities (school, health centers, parks). These projects can lead to productive partnerships between the associations, local authorities and CBO's to meet community needs.

## **2.3 Migration and Remittances in Ecuador**

- Ecuador is a particularly interesting case to consider in view of the explosive growth of external migration fueled in large part by the economic crisis of the 90's.
- The Consumer price index climbed from under 100 to close to 1000 and the proportion of people living in poverty doubled to reach 71% in 2000 and the proportion living in extreme poverty almost tripled reaching 31%.
- The pace of out migration picked up in the mid 90's then shot up exponentially from 1998 on. Between 1999 and 2003 1 million Ecuadorians left.
- Today remittances have become the second source of foreign exchange after oil exports and 14% of the Ecuadorian population relies on remittances as a source of income.
- Migration is a key component of household self-improvement strategies. It is a carefully considered and planned family-decision. Households have to cover the cost of travel and subsistence for members they send abroad until the latter have

secured work and are able to start remitting. This is a significant commitment of funds that is generated by the depletion of savings, the sale of assets (real state, cattle, jewelry, etc.) and indebtedness.

- The survey commissioned by FOMIN in year 2222 showed that households able to finance migration are those with a monthly income of \$250 to \$500, that is at or just above the poverty line. The average amount remitted is \$175 per month. No less than 57% of Ecuadorian households earn less than \$250 per month and are as yet unable to benefit from migration.

### **3. THE IMPACT OF REMITTANCES IN MIGRANT SENDING AREAS**

- Azuay is the area with the highest rate of out migration in Ecuador accounting for 45.3% of the national total. This massive outflow has led to a decline in the unemployment rate and an increase in the wages of laborers. Agricultural and artisanal production have declined construction sector, prices jumped. Labor shortages have in turn generated secondary patterns of intra-regional migratory movements. Peruvians and to a much less extent Colombians Their willingness to work for lower wages make them attractive to employers.
- Massive migratory movements inevitably affect the urban economy. Since 1999 prices have increased dramatically in Cuenca making it one of the most expensive cities in Ecuador.
- The average remittance received by households residing in Cuenca is \$185 per month. Cuenca's chamber of commerce states that most remittances have been used to finance new housing construction, purchase vehicles and home appliances. In the rural areas, new houses still lacking basic infrastructure stand as symbols of increasing incomes and social inclusion.

Due to its location, Cuenca is becoming a specialized center for migration-related services, legal and extralegal. The city has become a magnet acting as a gateway for those who want to leave the country and the region.

- Cuenca municipality has adopted strategies and launched major initiatives to address the impact of migration in partnership with NGO's, CBOS, Churches, and other civil society groups with technical support from PGU/LAC. The action plan includes:
  1. Developing and mapping indicators of social inclusion.
  2. Establishing "The Center of Attention to Migrants and their Families".
  3. Organizing "The Network for economic solidarity" to develop projects affecting vulnerable population, promote exchange and trade among local producers, and market rural, and artisanal production.
  4. Initiating pilot projects to provide micro-credit for housing and productive activities, helping families to improve their income and repay the debts they incur to finance migration of some of their members.

#### **4. DOMESTIC MIGRATORY FLOWS: SETTLEMENT PATTERNS AND SOCIAL INCLUSION IN PARAISOPOLIS, SÃO PAULO**

- Paraisopolis is a squatter settlement that developed on the vacant land of a formal sub-division. Today it is one of the main destinations of migrants to São Paulo. The population is estimated at 60,000 of which 80% are migrants from the northeast.
- Population movements in Paraisopolis reflect a complex overlay of three different patterns of migration: immigration from the poorer Northern States, immigration from surrounding districts of São Paulo and intra-urban movements to areas offering higher quality living environments.
- Although Paraisopolis proper has reached saturation level in terms of population and density it functions in many ways as a migrant reception area, as households who opt to move out sell or lease their houses to new arrivals.

- At this time, there are no social services offered by the public sector, NGOs or CBOs that are targeted at migrants. It appears that migrants are able to manage their needs through informal social networks. These networks may account for the lower unemployment rate in Paraisopolis (14%) compared to the São Paulo Metropolitan Area (20%).
- Migratory movements are reshaping the structure of urban growth and affecting urban planning and management. To target the most vulnerable groups, SEHAB partnered with the Center for Metropolitan Studies to develop a spatial and statistical database covering 2,018 slums comprising 1.16 million inhabitants. Mapping multi-dimensional indicators of social exclusion on the GIS allows the city to target the communities with the most urgent problems of unemployment, poverty, crime and street children. Paraisopolis is one of the priority areas for action.
- SEHAB plans to undertake a comprehensive survey of Paraisopolis in the first quarter of 2004. The survey will include detailed GIS mapping of the whole favelas and in depth interviews of the totality of its inhabitants.

## **5. CONCLUDING REMARKS**

- Migratory movements are creating a complex web of interlinked economic and social processes with overlays of different primary and secondary flows and patterns in the same geographic space. From a social perspective these processes have introduced new parameters of social inclusion and exclusion in urban areas with large migrant and floating populations.
- In Latin America migration has come to be viewed as the best avenue for improving living conditions and upward mobility. Households are willing to deplete savings, sell assets and contract debt in order to finance migration of one or more of their members.
- State and municipal governments have understood the contribution that migratory movements can make to the local economy. They are devising strategies and methods

to attract remittances and capture a share to finance development projects. However, the plight of poorer populations, who can neither participate in, nor benefit from, migration must be addressed. In many ways they represent the group most affected by the impacts that migration has in driving up land values, building prices and the cost of goods and services. Addressing their plight should be a critical component of poverty alleviation strategies and action plans in Latin America and the Caribbean.

- In the case of Cuenca, disparities among the poorer strata of the population have increased sharply. The income gap and social distance between those households who manage to send a member abroad and those who are unable to do so have widened markedly. This social fragmentation is in turn reflected in changes in the dynamics of urban growth and development, altering the fabric of neighborhoods and the spatial incidence of poverty and exclusion. The influx of Peruvians and transients is adding overlays of complexity to these dynamics. We are studying these different migration patterns and their impacts.
- Assessing the multidimensional impacts of migration requires setting up a system to monitor change in the regions and towns that are experiencing out migration and the urban areas that attract floating and transient populations. The use of remittances has to be traced and their impact on local real estate markets and cost of living assessed in order to fully address issues of poverty and their spatial manifestations. Maracaibo has a good GIS/ statistical database which is an invaluable tool for this assessment.
- Monitoring these changes is becoming an important component of urban Planning and Management, and a fundamental input shaping policies, strategies and action plans.