

Remittances

November - 2007



I. Introduction

- During the last quarter century, the international migration has increased at a rhythm four times greater than the world's population growth.
- Each year, millions of people leave their towns and cities in their countries in the developing world in search of work and a better standard of living for themselves and their families.
- Today, the number of émigrés, approximately 193 million, is equivalent to the population of the fifth most populated country in the world.

I. Introduction

- The underlying economic equation remains basically simple:
 - The more developed countries need the immigrant's labor while their families remaining in their countries of origin need the remittances derived from that income. Therefore, millions of people move to "the North" and thousands of millions of dollars (billions) move to "the South" (*Terry, 2006*).
- In this respect the remittances are a product of the larger migratory flow, not only from Bolivia but from and in the entire world.

II. Causes of Migration

- Contrary to conventional thinking, emigration rates increase during times of economic growth in the countries of origin (mostly developing or highly indebted countries) until the migration flow reaches a peak and subsequently starts to diminish.
- As the country of origin undergoes an industrialization process, the net salary becomes higher and, at the same rate, the restrictions in the migratory offer are relaxed. A larger number of potential emigrants could finance the cost of migrating. Therefore, at least in the short term, the salaries in the country of origin and the migratory flow are positively correlated.

III. Migration Effects

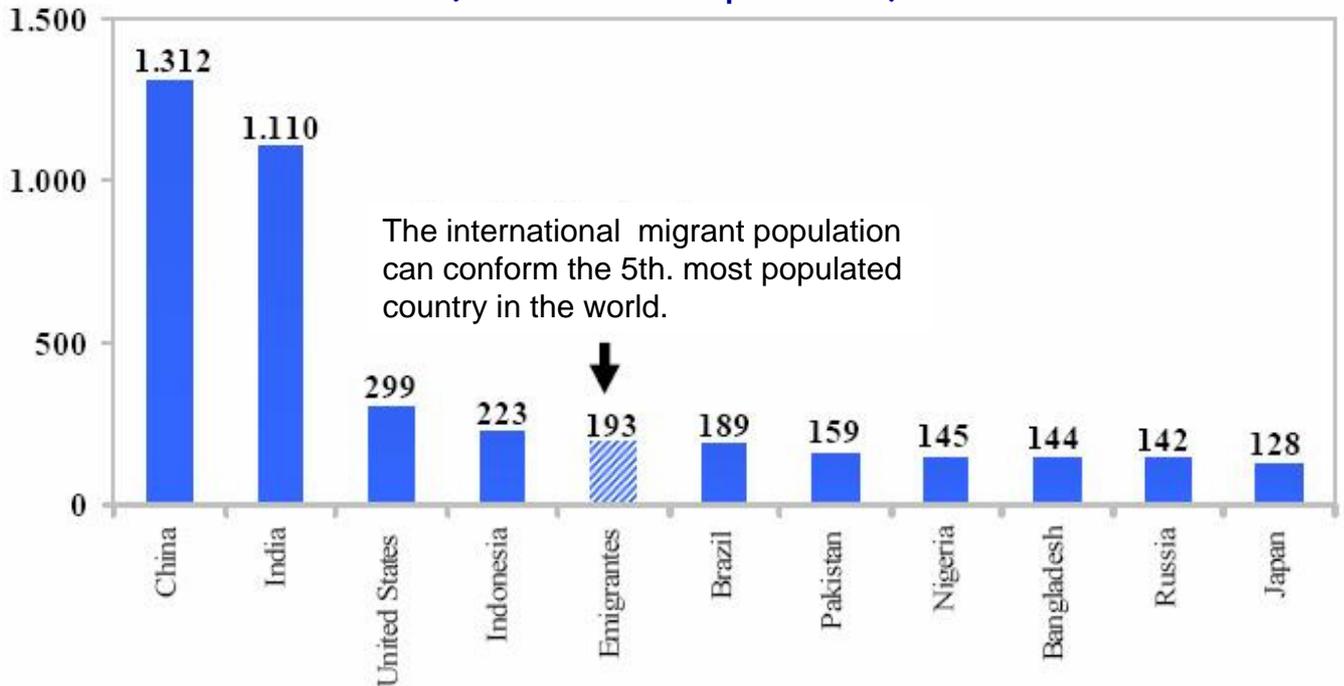
- In relation to the migration effects, one of the more direct economic impacts of migrations consists of the remittances that the émigré workers send to their families in their communities of origin.
- Studies undertaken to understand the potential of the remittances in economic development (**United Nations, 2002**), demonstrate that they represent mainly:
 - A salary supplement for the daily nursing of the family (mainly the feeding of the family, purchase or repair of the living quarters) and the community.

III. Migration Effects

- *Jaramillo (2005) cited by the BID (2005), explains that “for the immigrants that have the intention to return to their country of origin, saving and investing in their country of origin is one of the essential methods to plan and control the homecoming”.*
- That situation is worsened because the immigrant population (particularly the undocumented one) frequently lives in overcrowded conditions, poverty and anonymity; suffers discrimination and exploitation; and has limited access to social, educational and health services.

IV. Migration Quantification

Most Populated Countries in the World (In Million of persons)

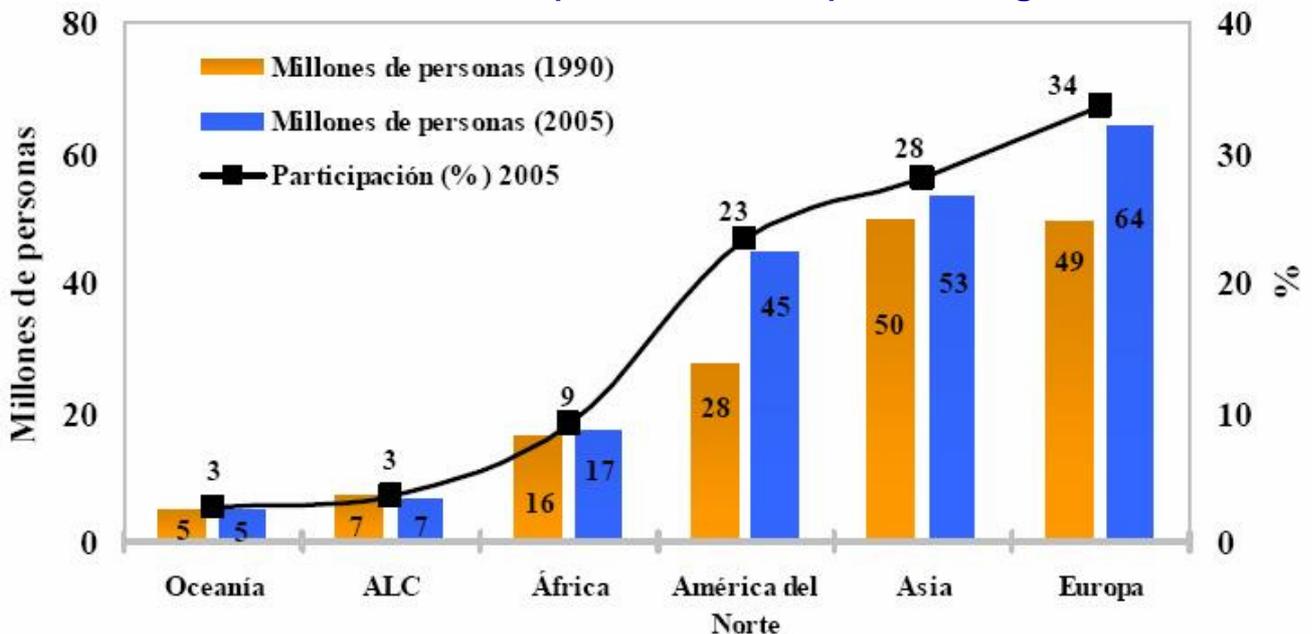


(e): Estimación World Economic Forum.

Elaboración: CEBEC/CAINCO con información del Fondo de las Naciones Unidas para la Población.

IV. Migration Quantification

Estimated Migrant participation According to Region and Percentage (In million of persons and percentage)



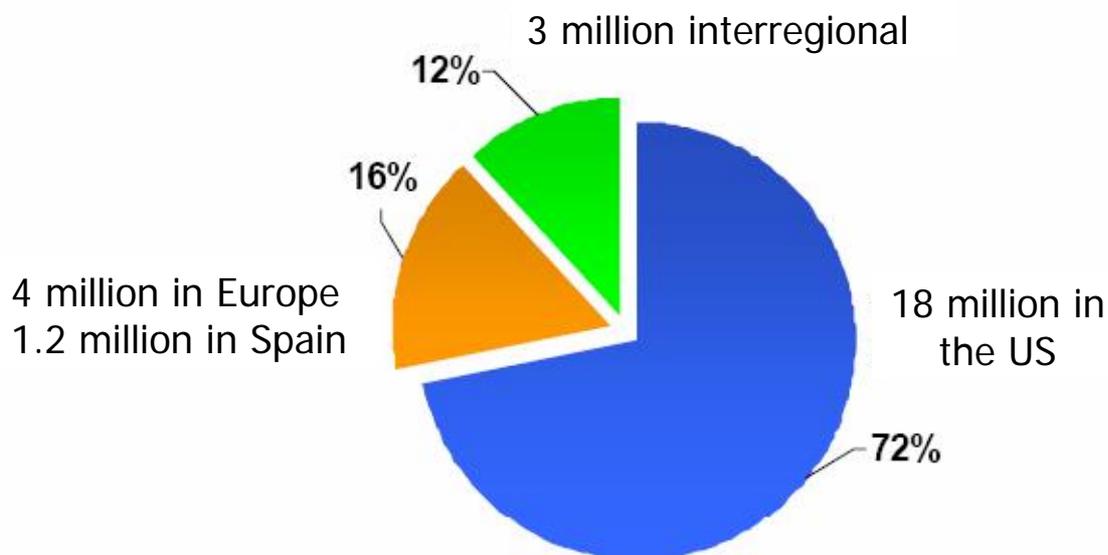
Elaboración: CEBEC/CAINCO con información del Fondo de las Naciones Unidas para la Población.

V. Migration Quantification in LAC

- *The Economic Commission for Latin America (the acronym CEPAL in Spanish) (2006)* estimates a number nearing the 25 million Latin-American and Caribbean émigrés in 2005, a proportion 13% higher than the total for the international émigrés.
- The percentage of the regional population that the immigrants represent is very small (1%), despite the fact that they surpass 10% in some Caribbean countries.
- The most distinctive fact is that almost 4% of the regional population is émigré; many Latin-American countries have more than half a million of their nationals abroad and several Caribbean nations have more than 20% of their population abroad.
- The United States is the preferred destiny by the majority of the émigrés from the region, and to this date it hosts 18 million, more than half of all the people that have emigrated to that country.

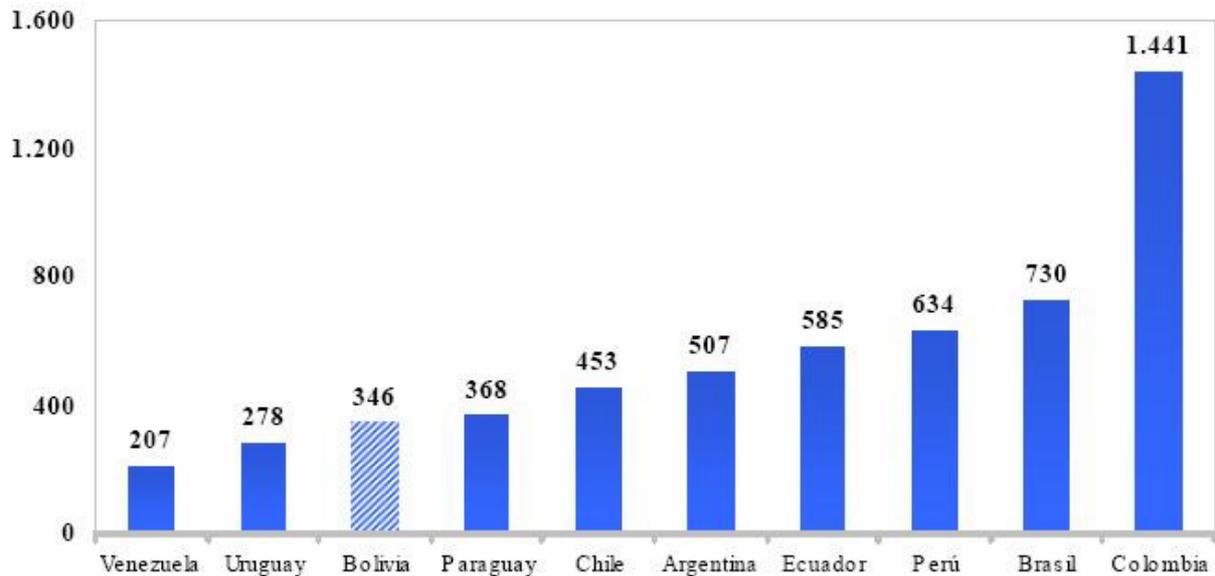
V. Migration Quantification in LAC

Migrant Destination in LAC, 2005
(In Percentage)



V. Migration Quantification in LAC

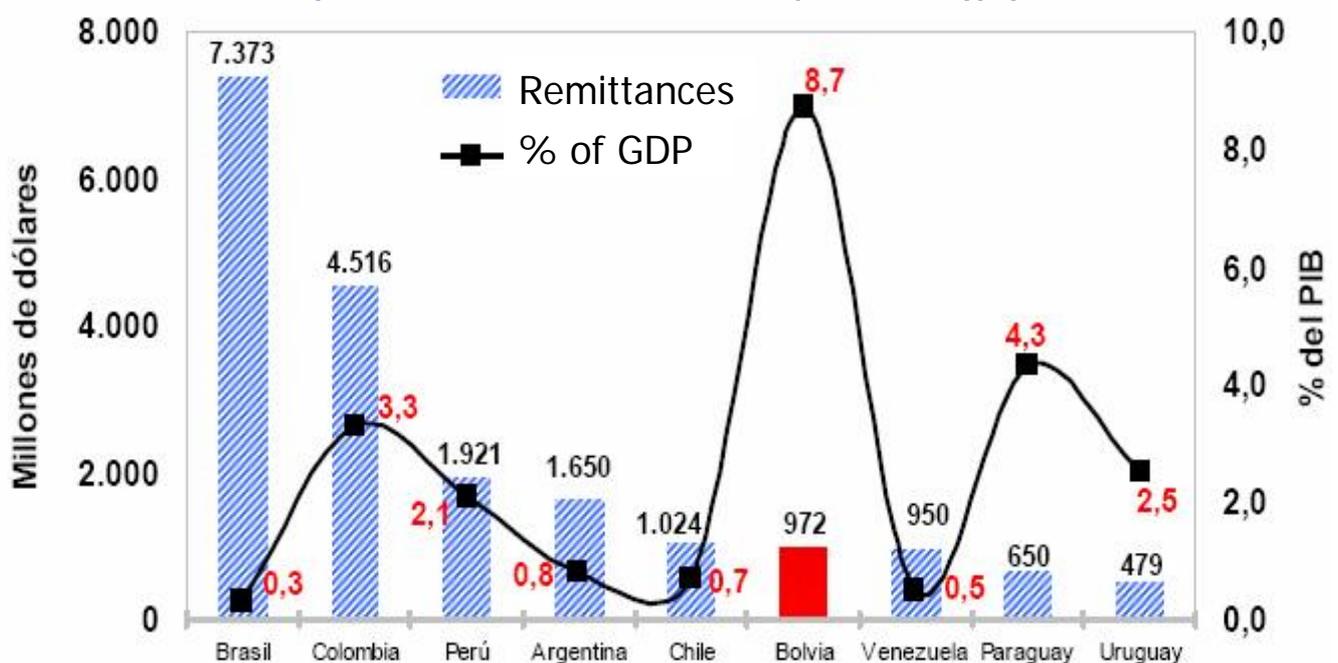
Number of Migrants According to Country of Origin, Year 2006
(In thousands of persons)



Elaboración: CEBEC/CAINCO con información de la CEPAL (2006).

VI. Economic Impact of Remittances

South America: Flow of remittances and participation, year 2006
(In million of dollars and percentage)

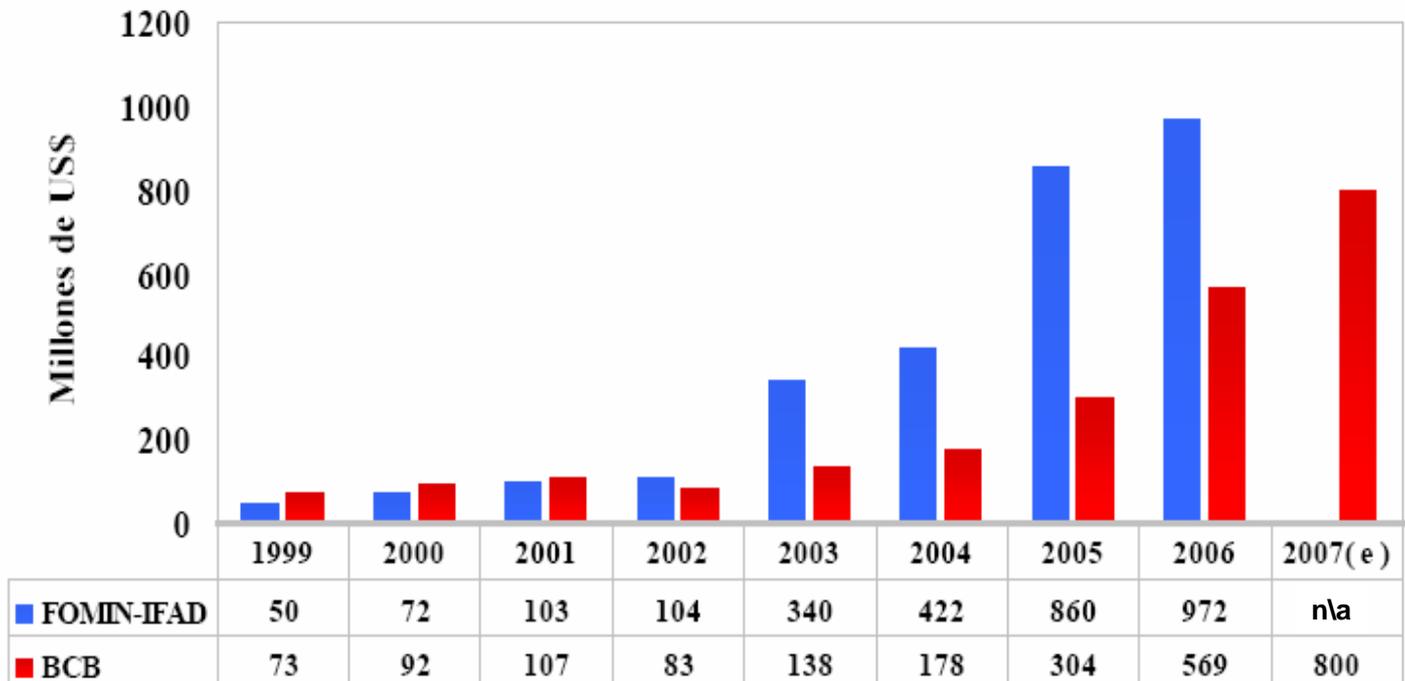


Elaboración: CEBEC/CAINCO con información de IFAD-BID (2007).

VI. Economic Impact of Remittances



Remittances to Bolivia
(In million of dollars)



Elaboración: CEBEC/CAINCO con información de IFAD-BID (2007).

VI. Strategic Alliance with Banco Sol



Since 2001 we have signed a strategic alliance with Banco Sol (the biggest Microfinance institution in Bolivia), this has allowed us to commercialize different insurance products through their distribution channels.

- During the first stage we distributed a simple life product tied to the Bank clients' savings account.
- The second product that was commercialized thanks to a survey and some focus group, was a health product.
- Currently we are starting to commercialize a remittance product for all Bolivian citizens that leave the country.

n/a

VII. Life and Repatriation Insurance



COVERAGE

- Death of the Bolivian Émigré due to any cause and Repatriation of the mortal remains, for an Insured Capital of € 10,000.

Payment:

- Cash to the declared beneficiaries or heirs at law, in case of death and it includes a repatriation service of the remains to the country of origin.

Costs:

- Monthly: € 5
- Annually: € 60

VIII. Life, Repatriation and Family Assistance Insurance



COVERAGE

- **Main coverage:**
 - Death of the Bolivian Émigré due to any cause and Repatriation of the mortal remains, for an Insured Capital of € 10,000 and Repatriation of the mortal remains, for an Insured Capital of € 10,000.
- **Secondary Coverage:**
 - Family Assistance, for an Insured Capital of € 10,000.
- **Payment:**

Cash to the declared beneficiaries or heirs at law, in case of death and it includes a repatriation service of the remains to the country of origin.

Family Assistance Benefit in four payments of € 2,500 per annum, starting on the anniversary of the main benefit payment.
- **Costs:**
 - Monthly: € 7.5
 - Annually: € 90

IX. Life, Repatriation, Education Benefit Insurance



COVERAGE

- **Main Coverage:**
 - Death of the Bolivian Émigré due to any cause and Repatriation of the mortal remains, for an Insured Capital of € 10,000

- **Additional Benefit:**
 - Education Benefit that will cover school studies for two children to their graduation or until they turn 18 years old (\$US 300 per year).

- **Payment (to the declared beneficiaries or heirs at law):**
 - Death due to any cause benefit in cash and it includes a repatriation of the mortal remains to the country of origin.
 - Education Benefit: Monthly to the Educational Institution.
 - Costs:
 - Monthly: € 8.75
 - Annually: € 105



Thank you !

- Migration has always been a factor for social and economic change for countries in Latin America and the Caribbean. *(Machinea, 2006)*.
- The situation in Latin America and the Caribbean (LAC) has reversed the tendency that prevailed for a long time in the history of the region, from an immigration receiving to an emigration producing region, on account of the present globalization process and the relative changes in the economic and social situation of the area.

II. Causes of migration

- Recent Analyses assert that workers leave their country of origin in search of better paying jobs abroad and, as a result of their laboriousness and savings, they send part of what they earn to their families in order to help them. *(Terry, 2006)*.
- The factors contributing to the large contingents of the population leaving their countries of origin are structural factors that cause sociopolitical (war, violence and persecution) and economic crises (unemployment, under-employment, low salaries); the same that are complemented with the job offers and better incomes in the more developed countries. *(Fernández, 2005)*.

IV. Migration Quantification



- Around 65 million émigrés existed in Europe in 2005 , figure that was increased by 33% in relation to 1990 when it had reached 49 millions.
- By 2005 in said Continent existed 53 million émigrés, 8 million more than in North América (USA and Canada), where there were more than 45 million émigrés in 2005, around 61% more than in 1990.
- In Oceanía, LAC and Africa the migratory flow during the last 16 years has not changed, maintaining its participation of 3%, 3% y 9%, respectively. Starting in 2005, Europe hosts more than 34% of the world's émigré population, while in Asia and North America the participation is 28% and 23%, respectively.

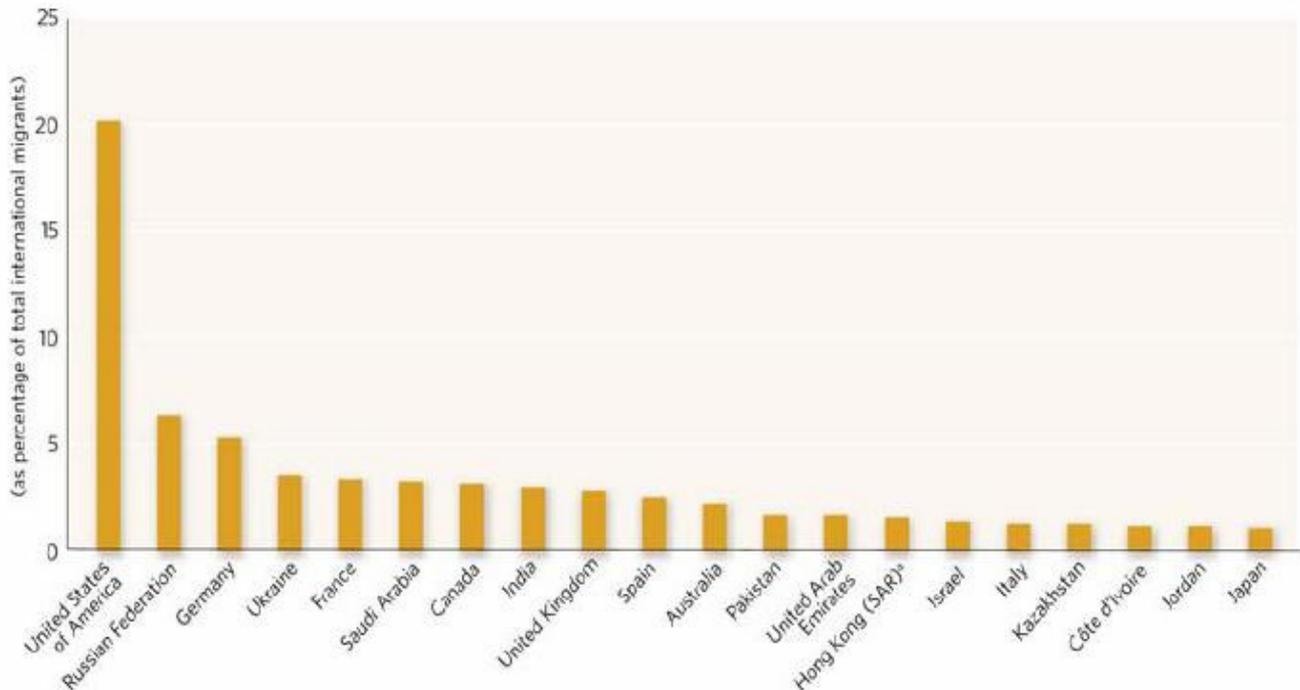
IV. Migration Quantification



- In Spain in 2005 resided less than 3% of the émigré population of the world, what meant little more than 5,5 million people, a number that represented around 8% of the émigré population in Europe.
- The data revealed for Spain are conclusive for LAC due to the fact that, as will be analyzed later, during the last four years, that country has turned into the destination for ever more immigrants from this region.

IV. Migration Quantification

Estimated International Immigration Percentage per Country
(In Percentage)



Elaboración: Fondo de las Naciones Unidas para la Población.

V. Migration Quantification in LAC

- Spain is the second destiny for the regional emigration and in 2004 it included 1,2 million persons, contingent that keeps growing and represents almost half of all foreigners that have entered that country since the year of 2000.
- It is further observed from the interregional migration that Argentina, Costa Rica and the Dominican Republic are the most important destinations within the region.
- At the beginning of the present decade, the interregional émigrés numbered nearly 3 million people that moved basically among neighboring or nearby countries.

VI. Economic Impact of Remittances



ZURICH

- Money remittances made by foreign residents living in countries different to those of their origin represent the monetary flow that is the opposite to that of the people of certain countries that moved abroad. These remittances are generated in the receiving of monetary income as compensation for the work carried out, be it as self-employed or as dependant workers.
- The impact of remittances is recognized throughout all of the developing world, since they constitute an important hard currency cash flow for the countries of origin and directly reach millions of families, the same that add up to 10% of the world's population.
- Remittances for Latin America and the Caribbean equal nearly 70% of the direct foreign investment and surpass five fold the official development assistance.