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The Mexican Experience: Remittances and Development

Consultative and Experience Sharing Forum on Remittances Leverage for Development

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**INSTITUTO DE LOS
MEXICANOS EN
EL EXTERIOR**





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 - **Mexican Talent Network**



Mexico-US Migration: Fact sheet



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Size and Flow:

- Hispanics are the first minority in the U.S., with nearly 50.5 million people. Mexican origin population represents 63% of all Hispanics.
- There are 31.8 million people of Mexican origin in the U.S.
- 12 million were born in Mexico, accounting for 30% of all US immigrants. About one of every 10 Mexicans lives in the U.S.

Distribution and Concentration:

- 95% of all Mexicans abroad live in the U.S.
- **Concentration:** 77% of the Mexican born reside in 5 states (California 38%, Texas 21%, New Mexico 7%, Illinois 6% and Arizona 5%)
- **Diffusion beyond traditional receiving states:** between 2000 and 2009, 8 states saw their Mexican-born population grow by at least 50,000 (Georgia, Nevada, North Carolina, New York, Colorado, New Jersey, Florida and Washington)



Mexico-US Migration: Fact sheet



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Demographic and Socioeconomic Overview:

- About three-quarters of Mexican immigrants in 2008 were limited English proficient.
- More than half of Mexican foreign-born adults did not have a high school education. Nevertheless, Mexico was the fourth largest supplier of highly skilled immigrants following India, the Philippines and China.
- Men work predominantly in low skilled jobs: construction, extraction, transportation and service occupations.

Legal and unauthorized:

- In 2009, 62% of all unauthorized immigrants were from Mexico (almost 7 million)
- The number of unauthorized immigrants from Mexico increased 42% between 2000 and 2009.

Remittances: Fact sheet



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- Mexico: first receiver of remittances in Latin America (1 out of every 3 dollars). Third at a global level after India and China.
- Remittances account around 2.4% of our GDP (53% in Tajikistan, 43% in Surinam, 25% in Lebanon, 20% in Honduras, 19% in El Salvador)
- In Mexico, remittances have grown since 1990. 2007, historic peak: more than 26 billion dollars. Due to the economic crisis there has been an important decrease which was higher than the average registered at a global level.
- In 2011, remittance flows start to grow again although analysts predict that 2007 levels will be achieved until 2012 or 2013.
- According to the Pew Hispanic Center, the economic crisis affected severely the Hispanic community in the United States. In 2008, unemployment for Hispanics born abroad was 8% compared to 6.6% of unemployment at a general level.
- The annual average Mexican remittance also decreased in 8.4% (346 dollars in 2008 to 317 dollars in 2009).



Main strategies to maximize the relationship between migration and development:



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- Banking and access to financial services
- Low cost services to send money to Mexico
- Programs to give remittances additional value
- Programs to promote investment in Mexico
- Mexican Talent Network



Banking and Access to Financial Services:



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- Banking of Mexican migrants and facilitating their **access to financial services is a consular responsibility**. If migrants have access to financial institutions, not only are their more secure but workers can save money when sending remittances to Mexico, have a savings account and access to credits.
- This task was allowed through the **Matricula Consular**: Mexican ID issued in each one of the 50 Mexican Consulates in the US and **accepted by financial institutions as an official ID to open a bank account**.



Banking and Access to Financial Services



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Agreements between Banks and Consulates

- These agreements allow banks that accept the Mexican Consular ID as an official document to open bank accounts, to provide basic financial information inside the Mexican Consulates. Currently more than 400 financial institutions accept the MC as an official ID. 89 agreements have been signed in 30 Consulates in the United States.

Inter-American Development Bank Informative Conferences

- In 2007, the Inter-American Development Bank (IADB) and IME signed an agreement to support some of the financial education programs that IME promotes, especially Informative Conferences in Mexico.



Low cost services to send remittances to Mexico:



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- Mexico **received in 2010 more than 21 billion dollars in remittances**. These contributions are **fundamental resources** for many families as a very high percentage of the money is spent in basic needs (but only account for 2.4% of GDP).
- Therefore, there is a clear **commitment from President Calderon's administration to implement and support low cost services to send money to Mexico** as well as to provide useful information to Mexican migrants about the methods and prices of sending remittances to their families.



Low cost services to send remittances to Mexico:



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Directo a México: Service provided through the US and Mexico Central banks with the following benefits:

1) Efficiency:

- Payments processed by the central banks in both countries.
- Certainty of payment process and time schedule.
- Certainty in fees, including transfer and foreign exchange fees.
- Transparency for all participants.
- Next business day delivery of funds to the beneficiary in Mexico, by depositing them in a bank account or cashing the payment at any post office.



Low cost services to send remittances to Mexico:



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2) Competitiveness:

- **Competitive transfer fees.** Consumers using Directo a México pay one of the lowest fees (generally less than USD 5 for a transference between banking accounts).
- **Competitive and transparent foreign exchange rate.** The foreign exchange rate is taken from the FIX (inter-bank reference rate), which is calculated and published by the Banco de México, minus a 0.21% spread.
- **The same fee and foreign exchange rate** is used regardless of the amount transferred.

3) Transparency. The foreign exchange rate applied and the original amount in dollars is informed in the beneficiary's account statement.

Currently more than 400 financial institutions provide this service in the US. There are **13 financial corridors** which offer a local service to send money between communities in both sides of the border.



Programs to give remittances an additional value:



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Remittances = migrant's private savings

Our challenge: to provide migrants options to channel remittances to **productive projects or to services with an additional value that can promote local and regional development.**

- **3 x 1 Program**
- **Objective:** To support any development initiative of social impact from Mexicans abroad, through an equal partnership among the Federal, State and Local Mexican Government. Starts in 1972 in Zacatecas as a 1x1 initiative. It becomes a federal program in 1992. Since 2002, 14,636 projects have been developed (communitary and productive projects for patrimonial re-enforcement), 40 states have participated, 570 local communities and 1000 home town associations.



Programs to give remittances an additional value:



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- **Paisano Invierte en tu Tierra:**
- **Objective:** To promote the development of Mexican rural areas and to generate employment, through the establishment of businesses that provide added value. Mexican migrants in the United States propose profitable investment projects, in areas such as agro industry, renewable energy and alternative resources, rural tourism.
In 2010: 36 projects in 12 states.
- **Housing program**
- **Objective:** To allow Mexicans abroad to buy houses in Mexico providing them with mortgage loans in Mexico that can be paid from the United States.
- Since 2004, more than 5000 credits have been authorized.



Mexican Talent Network:



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- Contributions that migrants give to their country of origin are not limited to remittances. Mexicans abroad are a **source of knowledge**, contacts and work experience that can be essential to promote economic, social and political development in Mexico.
- The contributions that talented Mexicans can provide are particularly important and could be a key element to **promote scientific and technical development, knowledge circulation and innovation**.
- The network started in 2005 and works through 15 regional chapters (Europe, the United States and Canada), which determine their own goals and objectives.



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