

CENTRAL AMERICAN MIGRATION

Current Changes and Development Implications

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Introduction

The number of Central American migrants in the United States has nearly doubled from 2000 to present, but the trend changed from 2009 onwards. Though migration has continued, it has done so at a declining rate. Overall growth in the migrant population in the United States has been offset by large numbers of deportations.

These declining rates of migration will have a number of impacts for both the United States and for migrant sending countries. Slowing migration, increased deportations and the likely return of some TPS holders may result in higher unemployment, lower remittances, and increases in the size of the informal economy in Central America. Therefore, it is essential to invest in increasing productivity and reducing the informal economy, as well as to leveraging resources in the financial sector and savings from remittances.

This article analyzes recent trends in Central American migration, starting with a brief historical context and moving on to current developments. It considers geographical divisions, reasons for migrating, and growth in the overall migrant population. Finally, it considers implications of these current trends for Central American countries.

Historical Context

Migration from Central America is a phenomenon of the late 20th century, shaped by a combination of dynamics associated with political instability and poorly performing economies. In the 21st century, migration has been shaped mostly by globalization and transnational organized crime.

The region exhibits four different outmigration periods. The first migration wave predates the 1970s, and was shaped by intra-regional mobility of Salvadorans moving to Guatemala, Hondurans to El Salvador and Nicaraguans to Costa Rica. A second wave, from the 1970s to 1990, was shaped by conflict-related dynamics, with people escaping from civil war, repression, and military rule. During this period, a large outflow of people moving abroad came from El Salvador and Nicaragua. The third wave occurs in the context of the post-civil war transition and the gradual integration to the global economy. During this wave, people migrated as an economic rationale responding partly to a demand for foreign labor and economic necessity. The final and current wave is shaped by continued economic needs, external demands for foreign labor, and insecurity resulting from the consolidation of transnational organized crime networks. Since 2009, the region has experienced major shifts associated with insecurity and violence.

Recent Trends in Central American Migration

From 2000 to 2017, the number of Central American migrants practically doubled, from 2.6 million people to 4.3 million people.

To better understand this phenomenon, it is helpful to divide the region into two smaller sub-regions: the so-called Northern Triangle, which includes Guatemala, Honduras and El Salvador, and the Southern region, which includes Nicaragua, Costa Rica, and Panama.

Migration patterns can be understood within the context of overall trends in these sub-regions. The Northern Triangle is considered a region exceedingly affected by the ravages of violence associated with dense waves of transnational organized crime, particularly narco-trafficking, with migration occurring as a result. The second region is mostly defined by intra-regional migration networks, with Costa Rica and Panama acting as labor importing countries for Nicaraguans working in domestic labor, security, transportation, and construction activities (particularly in the case of Panama).

TABLE 1: GEOGRAPHIC DESTINATION OF CENTRAL AMERICAN MIGRATION (2018)

Source: United Nations, Department of Economic and Social Affairs. Population Division (2017). Trends in International Migrant Stock: The 2017 revision (United Nations database, POP/DB/MIG/ Stock/Rev.2017).

		DESTINATION COUNTRIES AND REGIONS						
		United States		Costa Rica		Other Central America		Total - World
COUNTRY OF ORIGIN		(#)	(%)	(#)	(%)	(#)	(%)	(#)
	Costa Rica	90,455	63%	-	-	23,161	17.8%	143,465
	El Salvador	1,392,663	89%	-	-	61,177	4.0%	1,526,093
	Guatemala	975,504	87%	-	-	79,790	7.6%	1,049,865
	Honduras	597,647	83%	-	-	54,778	8.3%	659,606
	Nicaragua	275,909	42%	303,523	46.3%	340,185	51.9%	658,203
	Panama	114,181	76%	-	-	17,235	11.5%	149,220
	Central America	3,446,359	80%	-	-	576,326	14%	4,350,597

Drivers of Migration from the Northern Triangle

Central American migration, particularly from the Northern Triangle countries, underwent changes in the post-2009 period, in large part due to increased insecurity coming from transnational organized crime. The slow economic recovery, the effect of the military coup in Honduras, as well as the expansion of youth gang violence and narco-trafficking networks in El Salvador and Guatemala had broad and devastating effects on emigration. To understand the increase in migration, it is important to understand what has driven it.

Waves of severe violence and insecurity associated with an ecosystem of organized crime networks have informed decisions to emigrate. A larger number of people have sought to leave their home countries, including many applying for political asylum, to escape persecution from narco-trafficking networks, gangs, or extortion rings. For example, in a 2014 study of Salvadorans, at least 20% expressed interest in emigrating, particularly among those between the ages of 18 and 24, and 28% stressed that insecurity was the primary reason.

Insecurity is not accidental; the Northern Triangle is affected by violent crime and extortions that intimidate people and push them out of their communities and their country. Since the mid-2000s, for example, there have been between 40 and 38 homicides a day for the three countries combined. They are accompanied by thousands of cases of extortion a year, and the intimidation and turf wars of an estimated 100,000 youth gangs (over half of which are in El Salvador).

In addition to insecurity, economic factors are also central to this situation. Within a macroeconomic context, Central American economies are split between two poles of growth and wealth generation, with a 'missing middle.' First, the growth in the region has been driven by its dependence on the global economy, specifically on merchandise exports (predominantly agriculture and "maquilas") and tourism (much of which comes from the diaspora itself). In terms of merchandise exports, less than 20 products account for more than 60% of exports by 50 top companies, which in turn employ only a fraction of the total labor force.¹

The second pole of growth is linked to migration. Remittances, nostalgic trade², diaspora tourism and other services represent nearly 20% of GDP, on average. Remittances alone amounted to \$17 billion in 2015 and represented over 50% of household income in some 3.5 million households in the region. Moreover, remittance recipient households have a total stock of savings of over US\$ 3 billion, the majority in informal, "under the mattress" savings.

Since the mid-2000s there have been between 40 and 38 homicides a day for El Salvador, Guatemala and Honduras.

TABLE 2: DAILY HOMICIDES IN THE NORTHERN TRIANGLE

Source: official data, new sources (for extortion).

COUNTRY	2009	2016	2017	2018a	YOUTH GANGS	EXTORTION	POLITICAL LANDSCAPE
El Salvador	12	14	11	11	60,000	42% of small businesses	Highly polarized, including human rights violations
Guatemala	18	12	12	10	15,000	At least 3 reported extortion cases a day.	Government on the brink of collapse from chronic political corruption
Honduras	14	14	10	13	36,000	At least 3 reported extortion cases a day.	Contested elections with questions of legitimacy, human rights violations

In fact, between these poles is a vast informal sector, comprised of more than two thirds of the labor force and the business sector together. It is euphemistic to talk about a private sector in Central America when most of these enterprises are one-person businesses that make less than two minimum wages in revenue but earn only one. In turn, low income levels are the byproduct of an economic model based on agriculture or other low-performing products that rely on unskilled, uneducated and underpaid labor.

Therefore, the consequences of an obsolete growth model, accompanied by high rates of informal work, as well as the significant security issues previously described, have triggered emigration.

A statistical analysis of municipal-level data for the Northern Triangle countries confirms the importance of both insecurity and economic factors as triggers of out-

migration. Specifically,

- In Honduras, a 1% increase in homicides drives migration by 120%; increases in the size of economic informality drive migration by 12%;
- In Guatemala, a 1% increase in homicides drives migration by 100%; increases in economic informality drive migration by 4% and a decline in human development index increases migration by 5%;
- In El Salvador, homicides drive migration by 188% and economic informality by 27%.

A similar pattern was found between the migration of minors and violence in the three countries. These trends have continued in 2016 and 2017. Surveys of migrants in 2016 and 2017 show that 20-30% of Central American respondents cited insecurity as a reason for having left their country.³

TABLE 3: SOURCES OF ECONOMIC GROWTH IN THE REGION

Source: For Growth, World Bank Data. For Labor Force, "Evolución de los principales indicadores del mercado de trabajo en Centroamérica y República Dominicana, 2006-2010," ILO, 2011. For economic indicators, see Atlas of Economic Complexity, Harvard University.

INDICATOR	EL SALVADOR	GUATEMALA	HONDURAS	NICARAGUA
Global economic integration indicators as percent of GDP				
Remittances	17%	10%	17%	10%
Maquila (outsourcing economy in free trade zones)	10%	5%	10%	10%
Tourism	4%	3%	4%	4%
Agricultural exports	6%	15%	22%	22%
Energy/ Oil	2%	2%	2%	3%
Mining	0%	2%	1%	3%
Share of six sources	40%	40%	55%	52%
Merchandise Exports	21%	19%	42%	44%
Exports of Goods & Services	26%	24%	48%	42%
Labor force indicators				
Labor Force - % Informal Workers	67%	78%	75%	70%
Labor Force - % Skilled Workers	27%	25%	32%	11%
Population with Higher Education	11%	6%	7%	10%
Labor force in informal economy	70%	80%	80%	11%
Labor force in agriculture	19%	32%	30%	10%

Another driver of migration is the US demand for foreign labor. Central American migrants meet an important demand for certain low-skilled or labor-intensive sectors of the US economy, particularly construction, domestic work, and food and hospitality services. For example, one important sector of growth for the US economy is in real estate and construction. Only 4% of the US labor force works in this sector. However, more than 25% of migrants work in construction and may represent at least one third of workers in that industry. A similar case is that of female domestic workers. Though only about 2% of the US labor force works in domestic labor, about a third of migrants work in this sector.

The Southern Region: Migration of Nicaraguans

As with the Northern Triangle, Nicaraguan foreign labor migration is a byproduct of the poor model of growth, one which precedes the 1980s period when thousands of Nicaraguans left escaping the civil war. Given the economic asymmetries between Nicaragua and Costa Rica (Costa Rica's minimum wages are at least five times that of Nicaragua's) and a growing international demand for foreign labor in strategically important areas, there are more than 700,000 Nicaraguans living and working abroad, particularly in Costa Rica and the United States. These migrants are sending over a billion dollars in remittances annually. Nearly half of those flows come from Nicaraguans in the United States and the other half from Nicaraguans in Costa Rica.

These flows are only a part of a larger set of economic linkages with their homeland. Nicaraguan immigrants in the United States not only send money home but also consume nostalgic products (beans, tortillas, cheese, etc.), call home, visit the country or donate to charitable projects in their home community. All of these transnational linkages have economic impacts. In addition, remittance recipients have important stocks of savings and investments that they make of.

However, despite these numbers, labor migration is not integrated into the government's national development plans. Given the magnitude of informality and the extent of wealth generated through migration-related transnational activities, it is important to consider new development approaches.

A Declining Trend in Central American Immigration to the US?

Emigration from the region has not directly translated into a dramatic increase in immigration to the United States. Rather we find that from 2009-2017, migration growth to the United States has seen mixed patterns. For the Northern Triangle the growth in the number of migrants for this period was 1.9%.

Two main factors are at hand. First, immigration enforcement may have had an effect in terms of more apprehensions and difficulties entering the US, especially with Mexican authorities detaining prospective migrants. Second, there has been a steady pattern of deportations.

Table 4 compares people entering the US, the majority (89%) by crossing the US border, with the exception of the Salvadorans, over half of whom entered legally (see next page). In addition, many unaccompanied minors have sought to come to the US in numbers that are as large as or larger than the annual growth in the enrollment rate in secondary school education within their home countries. In 2014, more than 50,000 unaccompanied minors crossed the US border, and by the first half of 2018 the number was over 30,000.

The magnitude of this migration is measured by considering the number of people who are apprehended along the US border as well as by those who eventually enter. Thus, there are still large numbers of people who attempt to leave their countries but remain in transit trying to enter the US.⁴ Total migration outflows from these countries may be two or three times higher than number of people crossing the US-Mexico border.

But while migration has continued, it is doing so at a declining rate (see **Table 5** next page). This decline is particularly noticeable because the pattern of deportations has remained steady. Eventually, because most migration to the US is irregular, the continued numbers of deportations effectively reduce the number of people in the country. In turn, the replenishment ratio of migrants from the Northern Triangle declines because the number of entries is quite modest. In fact, net migration – which is calculated as the difference between new migrant entries and deportations – was 67,000 in 2017. If we add to this continued border enforcement and the termination of

Temporary Protected Status for more than 300,000 Central Americans from El Salvador and Honduras, the size of the migrant population will decline even further.

Implications of Changes in Central American Migration

Central American migration continues to be one of the largest outflows of people in the world. However, as the number declines, there are some concerns that emerge regarding the economies and societies in Northern Triangle countries.

First, the economic implications for the Northern Triangle countries point to declining family remittances in the short term, in turn affecting economic growth in the longer term. Under the current model of economic growth, economic opportunities will remain limited. Slowing migration not only affects the receiving of remittances but also long-term transnational engagement, including family ties.

Second, given continued apprehensions and deportations, as well as the cancellation of Temporary Protected Status for Salvadoran and Honduran migrants,⁵ the problem of job generation and reintegration is not negligible.

For example, deportations alone (without counting the return of TPS holders) amount to half of the annual labor force growth in El Salvador. However, the skill set of those returned, many of whom have been away from their country for at least 10 years, is better suited to the US labor market rather to their home country. Even more problematic is the fact that current reintegration programs are mostly focused on light workforce development support or on micro-entrepreneurship in countries with highly informal economies. In turn, unemployment and informal work rates will increase, affecting growth and development.

Moreover, with declining migration it is difficult to find short-term practical solutions and mitigating strategies for US labor shortages. There are many activities in the US economy that require low-skilled foreign workers, such as construction and domestic work.

TABLE 4: ESTIMATED ANNUAL MIGRATION FROM THE NORTHERN TRIANGLE TO THE UNITED STATES

Source: Author's estimates. *In 2009, 23% of migrants entered via authorized legal entry, and 61% in 2017.

YEAR	EL SALVADOR*	GUATEMALA	HONDURAS	NORTHERN TRIANGLE
2009	61,000	43,485	50,205	154,690
2016	42,455	48,954	60,513	151,922
2017	25,465	60,139	48,478	134,082
2018	26,547	67,069	58,492	152,108

TABLE 5: MIGRATION AND LABOR FORCE INCREASE (2017)

Source: *Author's estimates based on interviews with migrants. 20% say they would return.

YEAR	EL SALVADOR	GUATEMALA	HONDURAS	NORTHERN TRIANGLE
Outmigration (est.)	30,000	120,000	70,000	220,000
Entry to the US	25,465	60,139	48,478	134,082
Deportations	20,000	28,849	18,695	67,544
Annual Labor force increase (excl. deportations)	44,358	199,456	109,487	353,301
Of which, jobs created in the formal economy	6,000	20,000	8,500	34,500
Of which jobs in the informal economy	40,500	165,000	85,000	290,500
Estimate of returnees from former migrants with TPS*	13,000	-	3,800	16,800

Creating Economic Development and Growth to Address Migration and Change in the Region

The current migration crisis in Central America is tied to missing economic reforms and strategies disconnected from the chronic problems in the region. Reducing high emigration rates resulting from poor economic development can be addressed in one of several ways: as a development problem, as a border control challenge, or as an opportunity to leverage migrant economic contributions.

Any policy intervention should triangulate the economic impact of migration with the drivers that caused it and with the fundamental development problems each migrant sending country faces.⁶

In turn, differentiated development strategies will capture the realities and the desired outcomes to be achieved. Looking at the regional context, a triangulated approach includes

- Tackling one key value of migration, namely, formalizing savings and assets among remittance recipients,
- Channeling the savings generated into credit for knowledge entrepreneurs and other small businesses,
- Targeting the formalization of a small share of informal entrepreneurs in the local economies, particularly where migration is happening.

With this strategy, Central America not only will mitigate the increase in unemployment from slowing migration, increased deportations, and other migrant returns, but will also generate growth. This approach will also offer a more realistic perspective to the Alliance for Prosperity, whose strategy has not yield desired outcomes. As it was stressed in 2016 when the Alliance for Prosperity was launched, “the proposed strategies dealing with investments in economic growth in agro and tourism industries can hardly create the opportunities that people need to remain in their countries.”⁷ Three years later, continued emigration results from the disconnect.

In practical terms, the strategy involves leveraging

remittance savings, financing businesses, and matching loans from the financial sector. Savings formalization for 25% of remittance recipients in the Northern Triangle can bring US\$250 million into the financial system annually, which can then be mobilized into credit in the areas where families of migrants reside. Moreover, through loan guarantees, such as those of the Development Credit Authority or the Overseas Private Investment Corporation, the financial sector can increase its loan portfolio with an additional US\$750 million targeting 10% of micro enterprises to strengthen their competitive capacity.

While the international community has invested more than US\$50 billion between 1980 and 2015 in development assistance, the impacts have been limited. The reasons are complex, but one recurrent issue has been a continued focus on funding agricultural programs.

Development programs need to focus on human capital, rather than simply agricultural development. This is a matter of equity and economic growth to reduce the gap the region faces with regards to global economic performance and competitiveness.

Formalizing and Mobilizing Savings for Businesses

Integrating the economic contributions of migrants requires looking at strategies for asset building --particularly local savings formalization and mobilization (through financial education and credit) and investments in human capital, like education. Migrant investments, donations, and remittances can be leveraged to build both human and economic capital in those more migration-dependent countries and localities.

There is an important remittance and migration related value chain associated with savings: its formalization, and the opportunities it offers for asset-building.⁸ We have demonstrated that the increase in disposable income from remittance transfers increases savings capabilities. Our research and work in the Central America region shows that financial advising can help formalize at least 20% of savings among remittance recipients, and makes migration less likely.⁹

For a region where 80% of the labor force and private sector are in the informal economy, and where the informal economy only contributes 20% of GDP, tackling economic informality is fundamental. Formalizing savings not only

helps people to build wealth, but also helps communities by making capital available for local entrepreneurs, informal or formal.¹⁰ Formalizing savings and mobilizing them into credit for entrepreneurs will enhance a new competitive and productive space.

At the core of savings mobilization is the targeting of entrepreneurs in a largely informal and un-competitive setting. The informal economy lies at the intersection of underdevelopment, the root causes of migration, and migrant capital.¹⁰ Moreover, expanding credit to new sectors such as education and skills development, for which no substantive financing has existed before, will increase productivity.¹¹

Moreover, slowing migration, increased deportations and the likely return of some TPS holders will increase unemployment and the size of the informal economy. Expanding into new markets can mitigate some of these negative effects.

The way to deal with this situation is to work with the financial sector. Specifically, it is important to reorient investment with existing resources, including those leveraged from remittance savings. A strategy that annually formalizes and mobilizes 25% of savings among 3 million remittance recipients will bring US\$250,000,000 into the formal financial sector, while generating profits. The financial sector can match those savings and expand its credit to 10% of formal microenterprises, while international cooperation and national governments work on formalizing 2% of existing informal businesses.

The banking system in Central America is highly liquid; however, it is risk averse when it comes to credit because of the low productivity levels of micro and small businesses. However, the financial sector can expand its risk by working with 10% of competitive firms in this category, which encompasses some 700,000 formal businesses, of which the majority are two-person businesses.

Savings formalization for 25% of remittance recipients in the Northern Triangle can bring US\$250 million into the financial system annually.

The role of the state is to incentivize banks to take greater risk and regulate financial inclusion measures to support greater access. In the first case, taking advantage of the credit guarantees by OPIC or the DCA would mitigate risk. Moreover, implementing a type of Community Reinvestment Act would work with local economies and businesses. Increasing credit to 75,000 formal businesses to modernize and improve capacity would also elp create one new job per business.¹²

Invest in Under-Explored Markets, such as the Knowledge Economy

Investments in the knowledge economy can generate at least 40,000 jobs and over US\$500 million dollars. The knowledge economy generates value through technology, innovation and human capital.¹³ It is currently the most important source of economic wealth, generating more value and complexity with less manpower through greater use of technology.¹⁴

A knowledge entrepreneur might provide services in education, technology, professional resources, or technical support, among other things. Tutoring services, for example, by 17,000 service providers in extracurricular education to 200,000 children, can generate \$100 per student a year and over US\$200 million in revenue. This strategy can engage current educators and attract new people to the field.

This perspective of investing credit in services in the knowledge economy is fundamentally important because it addresses various strategic needs; specifically, it tackles both low productivity and highly informal economies.

First, it integrates migrant capital investment and savings from remittances into the financial sector, further mobilizing these resources for local development in education, skill formation and (nostalgic) trade.

Second, this strategy expands and complements—that is, does not replace—existing approaches and financing of economic growth, and creates a new model for much-needed investments in services for the global economy.

Finally, making investments in savings and education as a business strategy will lead to an expansion of opportunities to work and compete in the knowledge economy.

Moreover, it provides people with the necessary skills to adapt to a rapidly-changing and competitive global environment, and therefore contributes to reduce the size of the informal economy insofar as these entrepreneurs aim to modernize. Also, life in the knowledge economy empowers human capital to further transform society by providing people with agency and decision-making opportunities.

In a project in Guatemala providing business coaching to 190 microenterprises working in the Western Highlands the impact on the local economy was substantive. For example, knowledge economy entrepreneurs who received technical assistance to increase their competitiveness created more employment and showed greater income increases. Wages paid by entrepreneurs are 12% higher than the average income for employees in other categories of businesses, and 170% higher than the income for an agricultural daily laborer. Furthermore, these businesses on average invest an additional US\$7000 to improve their operations.¹⁵

Formalize 2% of Informal Businesses Every Year

Economic performance in the region is shaped by low levels of productivity associated with the presence of a large number of businesses and workers operating informally.

Most businesses are unipersonal enterprises operating in saturated merchandise markets, without municipal or government registration (largely due to excessive financial and time related costs), no access to financing, no substantive links to value chains, with limited market access, and no tax contributions. In turn, government

revenues are not only low, but competitiveness is highly limited to near zero profit margins along the commercial operations of these businesses. Thus, economic growth is constrained.

Although efforts to formalize businesses have been a concern, international cooperation and government policy has not been fully sustained, continuous or benchmarked. That is, some cooperation efforts focus only on the registration process, whereas others in the financing component through microfinance. Moreover, other efforts are limited to a short time span and government allocation of resources to work with microenterprises is extremely insufficient. Despite evidence showing that business formalization increases employment and revenues,¹⁶ oftentimes governments, donors and the private sector struggle to focus on this issue in a systematic and strategic manner.

Therefore, any approach to economic development and mitigating migration depends on establishing a firm strategy of business and labor formalization. At a minimum, the strategy needs to focus on ways that formalization maximizes revenue opportunities. A conservative approach would focus on an investment in formalizing a certain number of microenterprises in order to enhance their competitive capacity. The strategy should focus on those more likely to succeed as a revenue generating business operation, and with the goal and capacity to generate one more job. Thus, on a national aggregate they will absorb one out of five new workers entering the labor force. In practical terms, it means formalizing 60,000 businesses in the Northern Triangle in order to generate employment for an additional 60,000 workers.

A Different Approach to Development

In conclusion, Central America, and the Northern Triangle specifically, will greatly benefit from an alternative approach to economic growth and development, considering investing in human capital as a resource and commodity.¹⁷ This approach of formalizing and mobilizing capital for entrepreneurship, investing in knowledge economies and reducing the informal economy is central to tackle migration as well as structural challenges that make the region less competitive. The investment in this sector, largely leveraged by domestic resources from remittances and the banking sector, will partly benefit from international cooperation in technical support. However, the impacts will result in increasing growth above 1%, and generating 150,000 new jobs.

TABLE 6: LABOR FORCE AND BUSINESS INDICATORS

INDICATORS	EL SALVADOR	GUATEMALA	HONDURAS	NORTHERN TRIANGLE
Labor force indicators				
Labor force	2,799,821	6,613,075	4,203,333	13,616,229
Formal jobs	660,000	1,700,000	850,000	3,210,000
Informal workers	1,959,875	4,629,153	3,152,500	9,741,528
Unemployment	139,991	330,654	210,167	680,812
Annual increase of labor force	50,000	201,991	100,000	351,991
New Annual formal jobs	6,000	20,000	8,500	34,500
Annual informal work	40,500	165,000	85,000	290,500
Business composition				
Formalized businesses	167,000	400,000	175,000	742,000
Informal businesses	668,000	1,600,000	700,000	2,968,000
Microenterprise (1-10) (2)	95.80%	90%	95.80%	3
Small business (10-50) (20)	3.10%	7%	3.10%	0
Medium size (50-100) (68)	0.40%	1%	0.40%	0
Large businesses +100 (330)	0.30%	2%	0.30%	0
Migration indicators				
Deported migrants (2017)	18,838	33,570	22,381	74,789
Migrants with TPS	195,000	N/A	57,000	252,000
Deportation Scenario 1 (current number + 6% of TPS for El Salvador and Honduras)	38,000	35,000	28,000	101,000
Deportation Scenario 2 (5% increase and no TPS returnees)	19,780	35,249	23,500	78,528
Annual decline in Remittances due to TPS termination	\$46,800,000	N/A	\$13,680,000	\$60,480,000
Financial access and business investment approach				
Credit to 10% of formal microenterprises	\$167,000,000	\$400,000,000	\$175,000,000	\$742,000,000
Formalization of 2% of microenterprises	13,360	32,000	14,000	59,360
Revenue from 17,000 knowledge entrepreneurs	\$36,000,000	120,000,000	\$48,000,000	\$204,000,000
Savings from conversion of remittance recipients	\$87,500,000	\$96,250,000	\$56,875,000	\$240,625,000
Expected increase in employment/jobs	33,060	82,000	35,500	150,560

Appendix I

TABLE A: MIGRANTS FROM THE NORTHERN TRIANGLE IN THE UNITED STATES

Source: Estimates based on IAD's methodology to measure migration, accompanied by DHS and DOS visa statistics, and World Bank indicators.

COUNTRY	2009	2017	GROWTH
El Salvador	1,051,267	1,139,014	1.0%
Guatemala	825,948	1,117,967	3.9%
Honduras	604,935	635,778	0.6%
Northern Triangle	2,482,150	2,892,760	1.9%

TABLE B: APPREHENSIONS OF MIGRANTS FROM THE NORTHERN TRIANGLE

Source: DHS, Mexican migration numbers.

APPREHENSIONS	YEAR	EL SALVADOR	GUATEMALA	HONDURAS	NORTHERN TRIANGLE
At US border	2010	29,911	39,050	32,501	101,462
	2016	44,626	41,980	30,694	117,300
	2017	33,023	35,683	26,090	94,796
At Mexican border	2016	35,390	83,745	58,814	177,949
	2017	12,400	36,707	32,029	81,136

TABLE C: DEPORTATIONS OF MIGRANTS FROM THE NORTHERN TRIANGLE

Source: DHS

YEAR	EL SALVADOR	GUATEMALA	HONDURAS	NORTHERN TRIANGLE
2010	17,947	23,430	19,501	60,878
2016	20,538	33,940	21,994	76,472
2017	20,000	28,849	18,695	67,544

TABLE D: DIFFERENCES BETWEEN ANNUAL MIGRATION ENTRY AND DEPORTATIONS (NET MIGRATION)

YEAR	EL SALVADOR	GUATEMALA	HONDURAS	NORTHERN TRIANGLE
2010	43,053	20,055	30,704	93,812
2016	21,917	15,014	38,519	75,450
2017	5,465	31,290	29,783	66,538

TABLE E: PERCENT OF MIGRANTS WHO ARRIVED THE SAME YEAR RELATIVE TO ALL MIGRANTS

Source: Estimates based on IAD's methodology to measure migration, accompanied by DHS and DOS visa statistics

YEAR	EL SALVADOR	GUATEMALA	HONDURAS	NORTHERN TRIANGLE
2009	6.0%	4.0%	5.0%	4%
2016	3.0%	3.0%	6.0%	3.5%
2017	2.0%	3.9%	6.0%	3.5%

TABLE F: PERCENT OF MIGRANTS DEPORTED RELATIVE TO ALL MIGRANTS

Source: Author's estimates

YEAR	EL SALVADOR	GUATEMALA	HONDURAS	NORTHERN TRIANGLE
2009	3%	5%	6%	5%
2016	2%	3%	3%	2.5%
2017	2%	3%	3%	2.5%

Appendix II

SCOPE AND MAGNITUDE OF MIGRANT TRANSNATIONAL ECONOMIC ENGAGEMENT:

While living abroad, migrant workers participate in many transnational economic activities with the homeland that set the basis for deep ties and impact in their societies. Those ties and impacts may create a space for intervention in economic development, particularly when government policies integrate such engagements. There are at least six linkages (see **Table 1**), which interact with the host and home country and a range of intermediary institutions that facilitate those links.

Depending on the region, between 70 and 95 percent of migrants send money back home to developing countries, constituting a flow upwards of US\$500 billion annually.¹⁸ Another 90% of migrants consume home country goods, amounting to US\$1200 per migrant among those living in the United States.¹⁹ A smaller share of migrants (less than 10%) also invest back home, and a similar share participate in philanthropic activities that involve donations.²⁰ These activities have influenced the economies of many developing countries, and in turn had a development impact. Family remittances have been central to that impact.

The table below presents these activities and their corresponding relationship to the areas of engagement. Typically, the two most substantive activities in which immigrants engage are consuming home country goods and sending money to their families. The scope and magnitude of these activities are important to understanding the extent to which countries are impacted.

TABLE A.2: MIGRANT ECONOMIC ACTIVITIES

ECONOMIC ACTIVITY	ADULT MIGRANTS PARTICIPATING	HOST COUNTRY	INTERMEDIATION	HOME COUNTRY
				Associated activities:
Family remittances	60%-80% US \$500 billion	The decision to remit a share of the workers' income	The work of remittance service providers	Effect of remittances on household economics for the recipient family
Nostalgia Trade	80%-90% US \$200 billion	Consumption of home-country goods, including but not limited to foods	Supply chain of products and services	Production chain of home country goods
Philanthropy	10%-20% US\$3 billion	Fundraising, donations for charitable causes in migrants' home towns	Method of donating	Funds received and projects implemented
Entrepreneurship	5% -10%	The decision to create or maintain a migrant owned business	The enabling environment to create a business	Creating a micro or small enterprise by an immigrant or family member in homeland
Investment	5%-10% US \$50 billion	Capital for a particular investment or business venture	The investment environment	Allocating capital for a particular asset or venture in the hometown
Knowledge transfer	5%	Sharing Information and skills acquired as development tools	Institutions building skills or sharing knowledge	Methods to share information, knowledge and skills that enhance local and national development

Endnotes

1. Orozco, Manuel; Yansura, Julia. 2016. A New Strategic Approach for El Salvador's Economic Development Challenges. Voces. Available in: <http://www.thedialogue.org/blogs/2016/02/a-new-strategic-approach-for-el-salvadors-economic-development-challenges/>
2. In many cases, the diaspora purchases home-country products -- such as food, beverages, clothing or handicrafts -- while they are living abroad. This is known as the "nostalgic trade."
3. Orozco, Manuel. 2016-2017. Surveys of migrants. Inter-American Dialogue.
4. Estimate of people leaving the region. Crossing Mexico: $(10\% \times 177,949/3) + (40\% \times 177,949/2) + (45\% \times 177,949/1) + (5\% \times 177,949/4) = 120,000$; Apprehended in the US: $(60\% \times 117,300/1) + (35\% \times 117,300/2) + (5\% \times 117,300/3) = 92,863$. Total possible people who attempt to enter the US, 230,000, of which 130,000 make it.
5. Orozco, Manuel. 2018. Towards an adjustment of status for salvadorians with TPS. Inter-American Dialogue. Available at: <https://www.thedialogue.org/wp-content/uploads/2018/02/TPS-Report.pdf>
6. Drivers of migration are immediate factors that create international mobility, they are mostly associated but not caused by the fundamental development problems. For example, regional insecurity is a byproduct of fundamental development challenges associated to fully functioning democratic performance of institutions ensuring the rule of law. Similarly, the informal economy is a fundamental development challenge that triggers a lack of economic opportunity.
7. Orozco, Manuel. One step forward for Central America: The Plan for the Alliance for Prosperity (<https://www.thedialogue.org/blogs/2016/03/one-step-forward-for-central-america-the-plan-for-the-alliance-for-prosperity/>)
8. See for example, Chapter 6, Orozco, Manuel. Migrant Remittances and Development in the Global Economy. Boulder: Lynne Rienner, 2013.
9. Inter-American Dialogue. Opportunities for My Community Project: A Strategy for Guatemala, 2018. (A project by USAID and Inter-American Dialogue)
10. Our statistical research shows that 1% increase in the informal economy has positive effect on migration, increasing it by 12% in Honduras.
11. Financing for education is typically only available for college education in private universities. However, financing education is key to economic growth and development.
12. According to the Federal Deposit Insurance Corporation the "Community Reinvestment Act (CRA), enacted by Congress in 1977 (12 U.S.C. 2901) and implemented by Regulations 12 CFR parts 25, 228, 345, and 195, is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate."
13. A knowledge-based economy is one formed around an ecosystem of human capital, including knowledge, education, cognitive skills, innovation, and modern social norms. It draws on technological and social networks to create both tangible and intangible value. As such, the knowledge economy depends on the ability and capacity of people to learn and adapt new cognitive skills, techniques, values, and intellectual understanding as they respond to the demands of the global economy (portability, productivity and flexibility).
14. Hidalgo, C.A. & Hausmann, R., 2009. The Building Blocks of Economic Complexity.
15. Coaching interventions have a very positive effect on business competitiveness and performance. Business coaching is tailored for each entrepreneurs' needs and schedules. Support typically is aimed at strengthening knowledge services or knowledge and technology in their value chain and operation. For example, a tourism entrepreneur was able to increase profits when he was operating in a deficit. He developed adequate costing procedures using excel forms, and acquiring government permits as a tour operator and thus increasing IS client base. In another example, an entrepreneur through business planning created combos for low selling days.
16. Khamis, Melanie, Formalization of jobs and firms in emerging market economies through registration reform. IZA World of Labor 2014: 67. May 2014.
17. That is the stock of human resources that create a (socially and economically) active person through values, education, skills, workforce capacity, entrepreneurship, innovation, technology and networks.
18. Orozco, Manuel. "Migrant Remittances and Development in the Global Economy." Boulder: Lynne Rienner, 2013. "Sending Money Home: Contributing to the SDGs, one family at a time." IFAD, 2017.
19. Orozco, Manuel, The Demand for and Supply of Nostalgic Products among the Albanian-Americans: A Survey Nostalgic trade. Harvard University, CID, 2015. Orozco, Manuel and Julia Yansura, "Diaspora Investment and the Nostalgia Trade in Central America", in *Confronting the Challenges of Migration and Development in Central America*, 2016, Washington, DC, IAD.
20. Orozco, Manuel. MANUAL PARA ELABORAR PROYECTOS SOBRE REMESAS, 2015. Madrid, FIIAPP.



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