

***THE DEVELOPMENT IMPACT OF REMITTANCES ON CARIBBEAN ECONOMIES:  
THE CASE OF GUYANA***

*by*

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**ABSTRACT**

*Officially recorded remittances into Guyana rose to US\$ 225.9 million at the end of 2006, from US\$29.2 million at the end of 2000. The growing importance of these funds as a source of foreign exchange is reflected in the fact that they have outpaced foreign direct investment and official development assistance.*

*These figures however underestimate the true magnitude of remittances, since they represent only official balance of payments statistics and exclude remittances transferred through the informal channels.*

*A recent survey conducted by this author, on the recipients of remittances provides vital information on the remitters and the recipients of these funds. The major finding of the study is that although a substantial proportion of remittances are used for consumption purposes and smaller amounts dedicated to productive activities; collectively these expenditures contribute to the achievement of the development needs of the country.*

***Keywords:*** *Balance of Payments, development, migration, remittances.*

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<sup>1</sup> The views expressed in this paper are those of the author and not necessarily those of the Central Bank of Guyana

## 1. Introduction

The magnitude and nature of remittances to the Caribbean has changed significantly over the past two-decade. At the end of 2005, these transfers amounted to US\$6.4 billion<sup>2</sup>, emerging as the second largest source of foreign finance for the region after private capital flows. Measured in terms of GDP, the Caribbean is identified as the leading recipient region, increasing from 3 percent in 1990 to 13 percent at the end of 2002<sup>3</sup>. The figures in Table 3 shows, that for a sample of ten Caribbean countries, remittances are significant in nominal value, as a percent of GDP, and in per capita terms.

The rising level of these flows opens up new opportunities for the Caribbean, since securitizing future remittance flows can reduce the cost of borrowing on the international capital market. Remittances can also facilitate growth and development in the Caribbean, since the limited availability of foreign savings has been a major obstacle to achieving this objective for decades.

The debate on the motive for remitting funds to migrants' country of origin is ongoing, since many analysts believe that is the main determinant of the quantity that is remitted. The acceptable hypotheses range from pure altruism, in which case the funds are sent as financial assistance for those left in the origin country, or pure self-interest, where the funds are sent as a form of portfolio investment that is beneficial to the migrant. For many Caribbean economies, the altruistic motive predominates, making remittances counter-cyclical, and responding positively to natural disaster or any other adverse shock<sup>4</sup>

Agarwal Reena and Andrew Horowitz (2002), in their study on the reason why migrants remit money to Guyana, found that the altruistic motive is very strong. If their finding is true, then it follows that the

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<sup>2</sup> See Orozco and Hamilton (2006) for a detailed analysis on remittances, the Diaspora and development in Latin America and the Caribbean.

<sup>3</sup> See World Economic Outlook, April 2005

<sup>4</sup> This view is supported by empirical evidence in Haiti and Dominican Republic.

recipient households and the economy as a whole stands to benefit substantially from the transfer of these flows.

There is also a vast literature on the development impact of remittances on recipient countries. Many writers are of the view that too much of the funds are used to satisfy consumption needs, which are considered counter-productive, while very little is dedicated to more productive activities that have development implication. This paper departs from this view, and postulates that because Caribbean economies have a history of severe poverty, in the absence of these additional funds the poverty level for the recipient households would have been significantly higher in absolute terms and in terms of severity. Therefore, the expenditure on consumption will also have development implications for these economies. This view is consistent with the findings of Orozco and Hamilton (2006), in their study to measure the impact of remittances on Latin American and Caribbean Countries (LAC). They found that while remittances had a positive impact on most of the Caribbean economies, the impact was strongest in Jamaica, Haiti and Guyana<sup>5</sup>.

A study on remittances from a development perspective in Guyana is paramount since these flows are substantial, (amounting to US\$225.9 million at the end of 2006), and the country is listed among the world top thirty (30) recipients of remittances measured as a share of GDP.<sup>6</sup> The conclusion made in this paper is that although there are some downsides to the remittances phenomenon, these flows are of increasing importance at both the household and macroeconomic levels.

The rest of the paper is organized as follows: Section two gives a background to the remittances phenomenon in Guyana, giving an overview of the economy and the migration pattern of Guyanese.

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<sup>5</sup> Remittances impacted on most of the other Caribbean economies, but the impact was strongest in these three countries. Jamaica, Haiti and Jamaica are also among the Caribbean economies with the highest migration rates.

<sup>6</sup> See World Economic Outlook (April 2005). The other Caribbean economies included in this category are: Grenada, Haiti, Jamaica, Dominican Republic, St Kitts & Nevis and St Vincent & the Grenadines

Section three discusses Guyana's remittance sector, highlighting the definition, trends, data coverage, a profile of the recipients of remittances, transaction cost and remittances sources and frequency. The fourth section analyses the economic importance of remittances to the economy, focusing on its relevance to major economic indicators, its effect on the country's balance of payments, exchange rate, and its size relative to other international inflows.

The fifth section discusses the development impact of remittances on Guyana's economy, using the results from a recent survey on the recipients of remittances<sup>7</sup>, and the final section presents a conclusion and some policy recommendations.

## **11. Background to the Remittance Phenomenon in Guyana**

### *Guyana: Overview*

Guyana has a population of approximately 800,000, and land space of 83,000 squared miles. A multi-ethnic country, with 71 percent of the population living in the rural area and 29 percent occupying the urban regions. The country is agricultural based, and richly endowed with natural resources such as gold, bauxite and diamond, with sugar and rice as its main export earners.

Almost immediately after achieving its independence in 1966, the economy enjoyed substantial growth in its real gross domestic product, with consistent internal and external balance. Beginning in the late 1970s, the country experienced severe economic imbalances triggered by global shocks that started in the mid 1970s<sup>8</sup>, along with major internal weaknesses that were present in the economy. As is reflected in table 1 below, real GDP consistently realized negative growth reaching negative 4.7 at the end of 1990. By the same token, inflation continued its upward trend reaching 120 percent at the end of 1989.

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<sup>7</sup> The survey was administered in two phases. There were one hundred and fifty (150) respondents in the first phase, all of whom, visited transfer companies, commercial banks or cambios to receive their funds, or to convert their foreign currency to Guyana dollars. Two hundred and sixty (260) respondents were involved in the second phase. The individuals were chosen randomly from most of the regions in Guyana. 110 of these individuals said they don't receive money from abroad, while the other 150 recipients said their funds were channeled through the formal and the informal sources.

<sup>8</sup> Particularly the oil shocks in 1973/74 and 1978, and the recession that followed.

Consistent with these developments were the growing and unsustainable fiscal deficit and a balance of payments crisis.

**Table 1**  
**Selected Macro-economic Indicators**

Year	Growth Rate	Inflation Rate	GDP
1980	1.6	14.25	1508
1981	-0.3	22.00	1597
1982	-10.4	21.04	1446
1983	-9.3	14.90	1468
1984	2.1	25.22	1700
1985	1.0	15.07	1964
1986	0.2	7.90	2220
1987	0.8	28.73	3357
1988	-2.6	39.96	4137
1989	-3.3	120.00	10330
1990	-4.7	85.0	15665

Source: Bureau of Statistics

Although the country has a long- standing history of immigration to developed countries, this period of economic instability triggered a surge in migration from both the skilled and unskilled labor force. The movement of many of these individuals resulted from the absence of employment opportunities to earn income that were commensurate with work experience and qualification.

For most of the migrants, it was obligatory for them to take care of their relatives left in Guyana when they found higher income jobs in the country of their destination. This consistent cross border movement of people propelled the increase in the volume of remittances repatriated to Guyana, and started a new era in the country.

Today, although there is an upsurge in economic activities, migration and remittances continue to rise, as a result of the continuous decline in the cost of international travel, frequent communication with the Diaspora community and new migration laws that attracts skilled workers and trained professionals.<sup>9</sup>

#### Migration Pattern of Guyanese

Available data records that Guyanese migrant in all of the more developed economies amounts to approximately 500,000. In the USA, the official migrants reported by the United States Immigration and Naturalization Service (INS) was approximately 200,000<sup>10</sup> at the end of 2005. Since this data does not include illegal immigrants that are assumed to be very high, it is reasonable to expect that when the official numbers are adjusted for illegal immigrants the total number of migrants will be in excess of 250,000, which represents almost a quarter of the current population.

The number of migrants living in Canada has also been consistently increasing. The latest available official data shows that the number of Guyanese migrants increased from 67,000 at the end of 1991 to reach 84,000 at the end of 2001. There is no available data on migrants living in the United Kingdom and inter-regional migration, but based on the information from family members in Guyana the numbers seem to be very significant.

### **11.1. Guyana's Remittance Sector**

#### Definition, Trends and Coverage

Generally remittances subsume a number of transfer types, with varying sources. For the purpose of this paper, remittances includes, workers remittances, compensation of employees and migrant transfers, three forms of transfers that are generally reported and recorded in the Balance of Payments. Workers remittances is included in the current account of the Balance of Payments, and defined in the

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<sup>9</sup> These laws have had an impact on the rising number of university graduates living in Canada, teachers in the USA and nurses in the UK.

<sup>10</sup> see 2002 census

International Monetary Fund Balance of Payments Manual as transfers from migrants<sup>11</sup> living in new economies, and who have become residents of those economies. Compensation of employees are transfers from persons staying abroad for less than one year or persons who do not intend to stay in the new economies for very long periods and is also recorded in the current account of the Balance of Payments. Migrants transfers, an item recorded in the capital account, are goods and financial assets linked to the migrants' cross-border movement.

Remittances are transmitted through the formal and the informal channels. The formal channel comprise of six commercial banks, eight money transfer companies and fifteen cambios. Unlike commercial banks and cambios which are under the supervision of the Central Bank, money transfer companies are neither regulated nor supervised, but these institutions agree to submit data to the Bank of Guyana for the Balance of Payments purposes. The use of the formal channel is relatively robust in the urban region.

The informal channel entails, hand delivery by the remitter, delivery by a friend or relative, postal mail service, and transfer in kind or through a business venture. This mode of transmission is dominated in the remote areas where access to formal remittance service providers is minimal. The high transaction cost of remitting is another contributory factor to the prominence of the informal channel.

Until 1988, an exchange control regime was pursued in Guyana with a fixed exchange rate. This served as a deterrent to transmitting remittances through the formal channel, and hence, the informal unregulated transfer system was dominant. As a result, during the 1980s and 1990s published remittance data remained within a small range, since it was impossible for the Central Bank to capture data on remittances.

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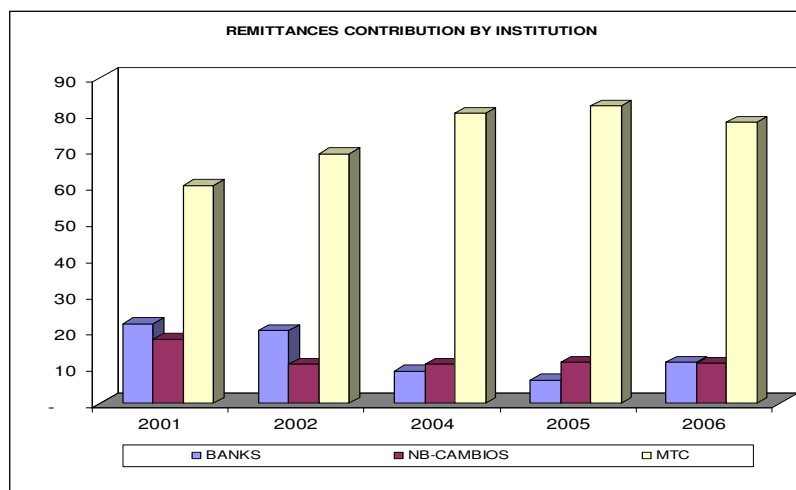
<sup>11</sup> A migrant is defined as someone who has a center of interest in an economy, and move to that economy, and stays or intends to stay for one year or more.

The implementation of the Economic Recovery Program (ERP)<sup>12</sup> in 1989 included among other policy measures a system of financial liberalization, with the unification of the exchange rate and a transition to a managed floating exchange rate and perfect capital mobility. This regime facilitated the redirection of informal flows towards formal flows, and acceleration in the volume of recorded remittances. Notwithstanding the transition, the informal sector within the remittance market continues to be high due in large measure to the high transaction cost and access to recipients in the remote areas.

Money transfer companies dominate the formal market for the delivery of remittances. As is reflected in the diagram below at the end of 2005, transfer companies represented 77.7 percent of the remittance market, followed by commercial banks with 11.3 percent and non- bank cambios with 11.1 percent.

The dominance of the money transfer companies in the remittance business is in large measure a reflection of the disparity in the cost of transmitting these funds between commercial banks and these non- bank financial institutions. Another contributory factor is the bottlenecks involved in doing business at the commercial banks relative to money transfer companies.

**Figure 1**



Source: Bank of Guyana

<sup>12</sup> An IMF structural adjustment program.



### Profile of Recipients of Remittances<sup>13</sup>

Women are the leading recipients of remittances in Guyana, receiving an average of 70 percent of the funds<sup>14</sup>. Regarding the education of the recipients, 54 percent of the recipients have a secondary education, while 33 percent completed university. Eight percent completed primary school and a paltry 5 percent never attended school. Approximately 80 percent of the recipients of remittances are less than forty-five years. 35 percent of this group are between ages 26 and 30, while twenty five percent are between ages 35 – 45, and 20 percent under 25 years old. Overall, 21 percent, of the recipients received remittances from their children. Parents supporting children left in Guyana is a very common practice, therefore 16 percent of the recipients are children receiving money from their parents, while 10 percent of the funds are sent to wives left in Guyana and 12 percent is sent to husbands whose wives now reside in another country. All other senders, which include siblings, aunts, uncles, grandparents and cousins, represented 41 percent of the funds sent to Guyana.

### Transaction Cost

Orozco and Hamilton (2006), in their analysis noted that the cost of sending remittances to Latin America and the Caribbean is the highest in the Western Hemisphere. The average price paid to send US\$100 from the United States via any of the money transfer companies operating in Guyana, is US\$10, compared to approximately US\$25 if the same transaction was done through a commercial bank. Additionally because individuals are not allowed to hold deposit accounts in foreign currency in Guyana, remittances must be converted to the domestic currency when it is being delivered to the recipient. In this process, there is an additional implicit cost since the exchange rate used to convert the foreign currency to the domestic currency differs from the prevailing exchange rate. When all of the

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<sup>13</sup> This analysis is based on the results of the survey on the recipients of remittances conducted by the author.

<sup>14</sup>This is consistent with Orozco (2004), who estimated that women recipients in Guyana amounted to 71 percent of the funds repatriated.

costs are added together it amounts to approximately 10.4 percent of the value of the remittance that is transmitted.<sup>15</sup>

#### Source and frequency

There is a strong diversity in the destination countries of Guyanese migrants, hence the source of remittances. The USA, the largest source country of remittances accounts for sixty- eight (68) percent of remittances coming through the formal channel, eleven (11) percent comes from the United Kingdom, ten (10) percent is sent from Canada and eleven (11) percent from all other countries including other Caribbean states<sup>16</sup>

Remittances are received with varying frequencies, 49 percent of the recipients received these funds on a monthly basis, while 8 percent and 15 percent of the recipients received remittances fortnightly and weekly respectively. Sixty- four (64) percent of the individuals received in excess of US\$100 on each occasion, while 26 percent received US\$60 – US\$100 and 10 percent received US\$20 – US\$50.<sup>17</sup> Many of the recipients also receive remittances from more than one relative abroad in different countries.

#### **IV. Economic Importance of Remittances**

Most studies have found that remittances have significant positive impact on receiving economies.

For Guyana, the significance of these flows is reflected in figure 2, where the volume of remittances is measured as a percent of some major economic indicators, namely, GDP, FDI, and exports.

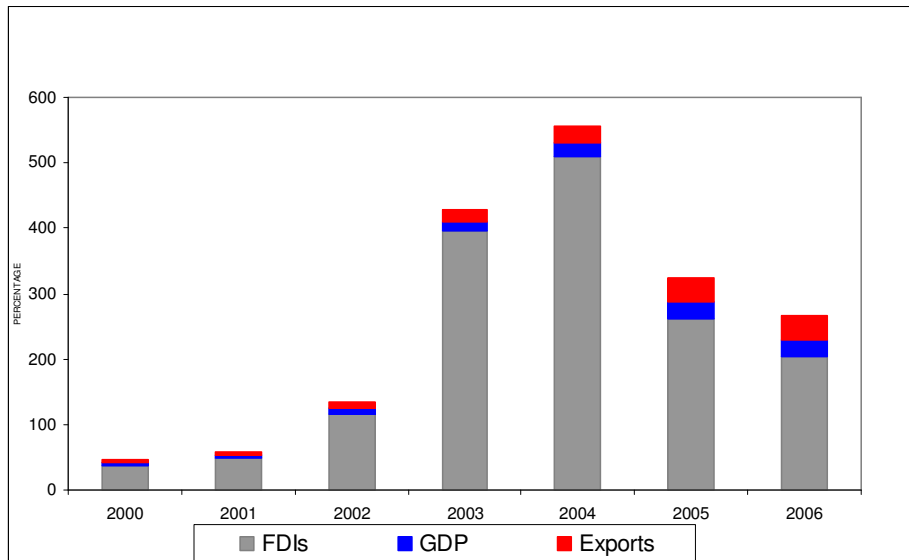
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<sup>15</sup> See Orozcon and Hamilton (2006)

<sup>16</sup> Results from the survey on the recipients of remittances conducted by the author.

<sup>17</sup> Analysis based on the results of the survey on the recipients of remittances by the author.

**Figure 2**  
**Remittances as a Percentage of Major Economic Indicators**

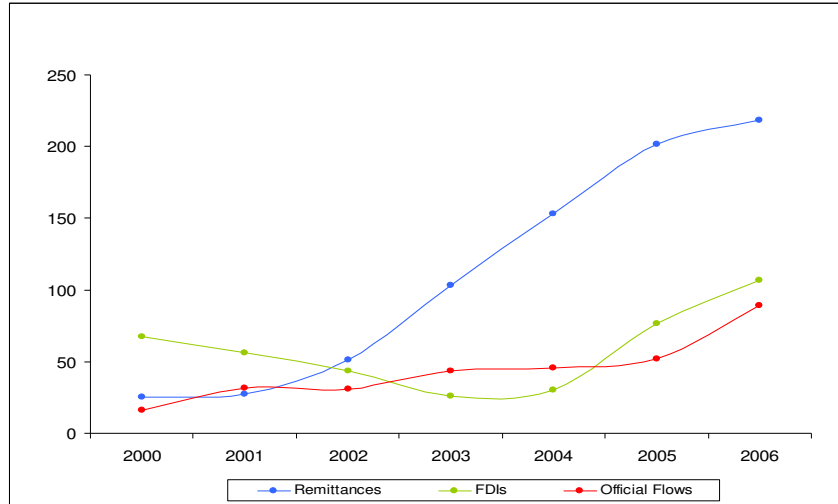


Source: Bank of Guyana

As a percent of GDP, remittances increased from 3.7 percent of at the end of 2000 to 24.6 percent at the end on 2006. As a share of FDI, remittances amounted to 205 percent at the end of 2006 from 37.4 percent at the end of 2000. Measured as a share of exports remittances rose to 36.3 percent at the end of 2006, from 5.0 percent at the end of 2000. In per capita terms; the rising trend continued, with the ratio increasing to US\$286.9 at the end of 2006, compared with US\$33.7 at the end of 2000.

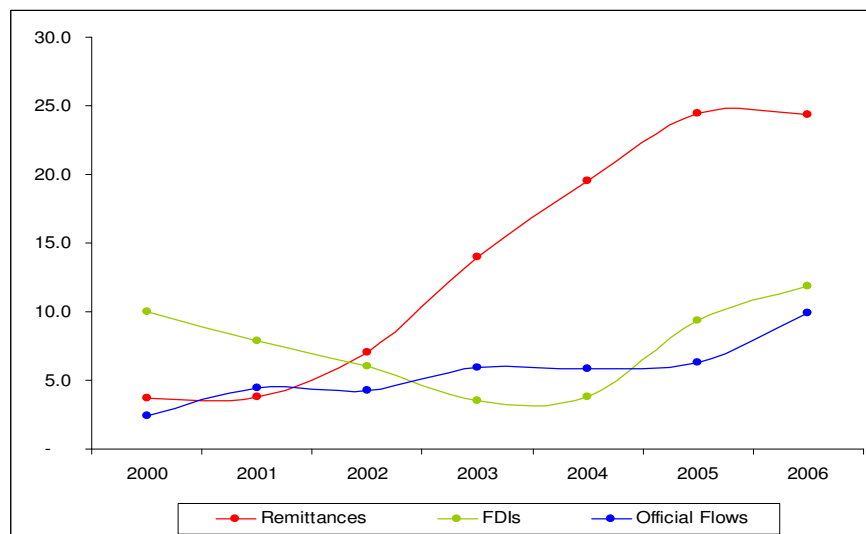
Additional evidence of the importance of remittances is displayed in table 3 and table 4, where the volume of remittances in nominal terms and as a percent of GDP outpaced all other forms of international flows. At the end of 2006, while remittances increased to US\$218, foreign direct investment amounted to US\$106.4 million, and official flows were approximately US\$89.1 million. Measured as a percent of GDP the trend remained the same with remittances, FDI and official flows showing ratios of 24.3 percent, 11.9 percent and 9.9 percent respectively.

**Figure 3**  
**International Flows to Guyana**



Source: Bank of Guyana

**Figure 4**  
**International Flows as a % of GDP**



Source: Bank of Guyana

The buoyancy of remittances has caused a reduction in the current account deficit of the country's balance of payments in periods when the economy experienced deteriorating terms of trade, due to natural disasters that affected its export volumes<sup>18</sup>. These flows have also eased the foreign exchange liquidity constraint and caused stability to the foreign exchange market and the exchange rate. Consequently, the increased demand for foreign currency, due to the rise in the value of imports over the past three years has not caused an unusual depreciation of the exchange rate (see table 6).

## **V. The Development Impact of Remittances**

A general tendency in much of the literature on remittances and development is to consider expenditure on consumption to be counter-productive and spending on saving and investment more significant contributors to development in an economy. This paper takes a slightly different view to these approaches and postulates that whether the funds are used to finance consumption or investment expenditure, positive externalities and multiplier effects are derived from the spending.

More importantly, the use of the funds by recipients in Guyana is to a large extent a representation of the variation in the income levels of households. According to an IDB study conducted in 2005 it was discovered that approximately 64 percent of remittance recipients in Guyana earn less than US\$1,500 per annum. In view of this fact, poorer households need remittances to meet immediate consumption needs, while in higher income households; remittances may be used as surplus funds for investment.

Reflected in table 8 below, of the total amount of remittances repatriated to Guyana, 27 percent and 20 percent of the funds are spent on food and clothing respectively, while 16 percent is dedicated to real estate and 15 percent is spent on education. With respect to savings in a formal financial institution and

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<sup>18</sup> Unlike other Caribbean economies that are susceptible to natural disasters such as hurricanes and earthquakes, Guyana's experience has been excessive rainfall that affects agricultural products such as rice and sugar. In January 2005 January 2006 however, the country experiences historic rainfall and devastating flooding.

investment in a business venture, 14 percent and 8 percent respectively were dedicated to these activities.

**Table 2**

**Use of Remittances by Recipients**

<b>Use of Remittance</b>	<b>Percent</b>
Education	15
Real Estate	16
Business	8
Food	27
Clothing	20
Savings	14

**Source: Survey on recipients of remittances**

A noteworthy observation is, that the results seem consistent with the finding from studies related to other developing countries. In fact, 15 percent of the funds being used for education would suggest that remittances may be contributing to human capital accumulation in Guyana, while 16 percent being dedicated to expenditure on real estate and 14 percent being saved in a financial institution, suggests that remittances can have significant multiplier effect in the economy and makes funds available for projects with development implication. Although only 8 percent of the funds are invested in some form of business, this should not be considered insignificant based on international standards. In view of the foregone, the development impact of remittances on Guyana's economy will be discussed within the context of financial deepening, poverty reduction, education and the achievement of the Millennium Development Goals (MDGs)

**Remittances and Financial Deepening**

An important development within the banking system in Guyana is that migrants can now send money directly to one financial institution to procure real estate in Guyana. Migrants can also make deposits directly into bank accounts at many of the local commercial banks. Additionally, two of the major commercial Banks have taken the initiative to make it mandatory for recipients of remittances

channeled through these institutions to first establish a savings account at these institutions before the funds are disbursed.

These practices will result in financial deepening, since the new financial resources passing through the formal banking system will allow some portion of it to be made available for intermediation. This initiative also provides the opportunity for low-income individuals to take advantage of other financial services offered by commercial banks, such as access to loans.

### Remittances and Poverty Reduction

Numerous studies have shown that remittances lead to poverty alleviation in recipient countries, for example, Adam and Page (2003), in their study on 70 low income and middle-income countries found a positive co- relationship between remittances and poverty alleviation. Their findings concluded that a 10 % increase in the share of remittances to GDP would lead to a 1.2 % reduction in the number of persons living below the poverty line.

Spatafora (2005) concur with this view and used a cross country study that showed that on average 25 percentage point increase in remittance/ GDP ratio is associated with less than a 0.5 percentage point decrease in the share of people living in poverty. Another study conducted by Adams (2004), surveying 7,276 urban and rural Guatemalans households found that remittances reduced the level of both severity and depth of poverty.

Guyana is one of the poorest countries in the Western Hemisphere, with the majority of the poor living in the rural areas. At the end of 1971 the Bureau of Statistics reported that 38 percent of the population were living below the poverty line. The level of poverty in the country had increased to 65 percent at the end of 1988. At the end of 1992 when migration was at its peak and significant sums of remittances were being transmitted through the informal channel, the percentage of the population living below the poverty line had dropped to 43 percent. The last census conducted by the Bureau of Statistics in 2002, reported that 35 percent of Guyana's population live below the poverty line. The current level of poverty cannot be accurately reported due to the paucity of data, but given the increase in the level of

remittances and the segment of the population that receive these funds<sup>19</sup>, it is likely that the poverty level has dropped further.

### Remittances and Education

Remittances play a central role in the education of many Guyanese. Based on the response of the survey 15 percent of the funds were used to finance education. A recent observation is that there is a switch in primary and secondary school enrollment from the public schools (where education is subsidized) to the private schools where the average cost of tuition is G \$150,000 per year.<sup>20</sup> At the University of Guyana, during the academic year 1999/2000, 18 percent of the students who were accepted to various programmes offered by the University did not utilize the loan facility, but instead made cash payments<sup>21</sup>. At the end of the academic year 2005/2006, this ratio had increased to 30 percent. Since income levels have moved marginally during this period, it reasonable to assume that some portion of remittances was used to finance these payments.

### Remittances and the Millennium Development Goals (MDG)

The MDGs were adopted by the United Nations General Assembly in September 2000. This is a globally accepted framework for measuring development progress. It entails eight targets countries are required to achieve by 2015. Included in the targets are eradication of poverty and hunger, achievement of universal primary and secondary education and gender equality and empowerment of women.<sup>22</sup>

Although all of the goals may not be achievable using remittances, there is no doubt that remittances into Guyana have been playing a pivotal role in the areas of poverty reduction, education, treatment of

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<sup>19</sup> Most of the poor in Guyana live in the rural area, and survive on basic agricultural activities. Orozco and Hamilton (2006) in their study found that 40 percent of the recipients of remittances in Guyana live in the rural areas. It follows therefore that, in the absence of the relevant data at the Bureau of statistics, remittances is impacting on poverty levels in these communities.

<sup>20</sup> Due to the paucity of data on enrollment in the private schools in Guyana, a more detailed analysis was not done. Approximately 100 private schools offer primary and secondary education in Guyana.

<sup>21</sup> Cash payment includes scholarships.

<sup>22</sup> The other targets are reduction of child mortality, improve maternal health, combat HIV/AIDS, Malaria and other diseases, ensure environmental sustainability and develop a global partnership for development.



HIV / AIDS and the empowerment of women<sup>23</sup>. These funds have contributed to the empowerment of women in Guyana, since approximately 70 percent of the recipients are women, many of whom are heading households.

### Overall Assessment

It is evident from the data that remittances have been impacting on the development of Guyana's economy both at the micro and the macro level. At the micro level, remittances have been a significant source of income for many recipient households, increasing their disposable income. For many of the recipient households the absence of this additional income would have meant that basic needs could not have been met. Within this context, remittances have been contributing to poverty reduction at the household and country level. At the macro level, remittances have resulted in an increase in the level of Gross National Disposable income, which increased from US\$563.4 million at the end of 1995 to US\$790.8 at the end of 2005. Additionally, the expenditure on education, investment and savings translates into an increase in human capital formation; financial capital accumulation and higher output level for the country. All of these expenditures have affected a broad range of development actions.

## **VI Conclusion and Policy Recommendations**

Notwithstanding the downside to this phenomenon, particularly the brain drain and the weakening of the recipients' incentive to work, I have attempted to show throughout this paper that these flows have positively impacted on the development of Guyana. More importantly, given the strong altruistic motive for sending remittances to Guyana, formulating appropriate policies to enhance the flow and the use of remittances will increase the development impact of these flows and mitigate the cost of migration in Guyana.

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<sup>23</sup> The results of the survey on the recipients of remittances revealed that 70 percent of the recipients are women, many of who are single parents or heading households.

### Measures to enhance the development impact of remittances

The need to have policies to promote transfers through financial institutions is critical. The current system, in which money transfer companies dominate the remittance market, implies that these funds will not be made available for intermediation. Research conducted by the Inter American Development Bank on remittances to developing countries estimated that remittances held as deposit money in banks have an estimated multiplier effect of two (2) to three (3) times. In Mexico, it was discovered that every dollar received as remittances increased GNP by US\$2.69 – US\$3.17 depending on whether the recipient was from a rural or urban household.

Linking remittances with Micro- finance institutions (MFIs) should also be considered since the poorer segment of the population are often unable to access adequate deposits, credit, savings and investment, but to a large extent they have confidence in these institutions. By linking remittances with MFIs revenue is provided for these institutions to ensure that the poverty- orientation is not compromised. Additionally, the client base is expanded, since recipients who previously had no connection with these institutions will most likely become members and reduce the number of unbanked households. The training and personal service offered by MFIs can be used to encourage recipients to successfully invest in productive activities using remittances. Linking remittances with MFIs will ultimately result in poverty reduction and acceleration in the long run output growth in the economy due to additional investment in physical and human capital.

It is necessary for the country to have a Remittances and Diaspora Unit in Guyana, as is done in many Latin American and some Caribbean countries. This unit should be responsible for engaging the diaspora in discussions and viable development reform strategy, along with monitoring trends in migration and remigrants activities.

Financial literacy should also be promoted for recipients of remittances, since many of these individuals do not understand the importance of banking their surplus funds. It is also necessary that business training and entrepreneurship development skills be made available for recipients of remittances and also remigrants.

To improve compliance and reliability of data on remittances, in order to facilitate monitoring and analysis, legislation must be put in place for the regulation and supervision of all categories of remittances service providers. This framework must facilitate the flow of remittances, and at the same time have a system in place to minimize money laundering and other forms of financial abuse.

The authorities should also implement some of the policies adopted in other developing countries, for example, in Egypt the government provided matching funds for remittance backed projects, while the government of Mexico matched every dollar sent by migrant groups with \$3 of local government funds to pay for infrastructure projects.

#### *Policies to Affect Remittance Flows*

The major hindrance to the amount of remittances repatriated to Guyana is the high transaction cost, and the need for closer affiliation with the diaspora at the level of the government. In this section a number of policy options are proposed that can impact on transmission cost of remittances.

To begin with, reaching out to the diaspora is key to any strategy to mobilize remittances for development. The government should therefore work closer with international organizations and Hometown Associations (HTA) to mobilize additional funds for the country. Orozco and Hamilton (2006) in their study noted that of the migrants who send remittances to Guyana, only 26.3 percent belong to a HTA. This is an indication that there is great potential in this area.

Individuals should also be allowed to have foreign currency denominated accounts at commercial banks. This initiative will foster fee reduction and increase the propensity to remit. This will also ensure that individuals have the exact amount sent by the remitter, since the beneficiary would have the option to convert the funds into local currency at the institution that offers the best exchange rate.<sup>24</sup>

The introduction of foreign currency denominated bonds and repatriable foreign currency accounts can be efficient tools to stimulate remittances. Countries such as India and Pakistan and in Bangladesh experimented with this policy initiative and achieved much success.

In summary, the policy measures highlighted above can certainly enhance the development impact of remittances in Guyana. A very useful strategy may be for the policy measures recommended in this paper to be harmonized with government development objectives. Within this context, it is necessary for remittances and related issues to become an integral part of the Poverty Reduction Strategy Paper of Guyana and the also the country's National Development Strategy Paper.

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<sup>24</sup> A World Bank survey conducted in 2005 revealed that of the 40 developing countries that participated, all except for six countries (including Guyana) did not allowed individuals to hold foreign currency accounts.

**Table 3<sup>25</sup>**  
**Remittances and Economic Indicators**  
**for Caribbean Economies**

Country	Percent of GDP	Per Capita	Annual Volume
Dominican Republic	13.4	271.03	2,410,800,000
Jamaica	18.3	622.78	1,651,000,000
Haiti	34.5	115.50	985,000,000
Guyana	25.7	265.7	201,300,000
Barbados	4.3	418	113,000,000
Trinidad & Tobago	0.77	70.75	92,400,000
Suriname	4.20	122.49	55,000,000
Belize	3.77	148.70	40,150,000
Grenada	5.2	220.0	23,000,000
Antigua & Barbuda	1.5	140	11,000,000

Source: Bank of Guyana and Orozco and Hamilton (2006)

**Table 4**  
**Total Transfers (US\$ millions)**

	2000	2001	2002	2003	2004	2005	2006
<b>Types of Transfers</b>							
Workers' Remittances	25.1	27.3	51.0	103.2	153.0	201.3	218.1
Compensation of Employees	4.0	5.2	5.5	5.5	5.8	5.9	6.0
Migrant Transfers	0	0.1	1.5	0.7	3.6	1.6	1.9
Other Unrequited	43.1	37.1	41.0	8.5	13.6	7.5	24.5
<b>Total</b>	<b>72.2</b>	<b>69.7</b>	<b>99.0</b>	<b>117.8</b>	<b>176.0</b>	<b>216.3</b>	<b>250.4</b>

Source: Bank of Guyana

<sup>25</sup> Data is recorded at the end of 2005 for all of the countries except for Antigua and Barbuda. Data for Antigua and Barbuda is as at the end of 2003.

**Table 5**  
**School Enrollment**

PUBLIC PRIMARY SCHOOLS

Academic Year	Gender		Total
	Male	Female	
2000 - 2001	55395	52916	108311
2001 - 2002	55562	53443	109005
2002 - 2003	56664	54112	110776
2003 - 2004	58569	56603	115172
2004 - 2005	58258	55936	114194

Source: Ministry of Education

PUBLIC SECONDARY SCHOOLS

Academic Year	Gender		Total
	Male	Female	
2000 - 2001	32117	33054	65391
2001 - 2002	31810	32781	64591
2002 - 2003	30875	31549	62424
2003 - 2004	32410	32981	65391
2004 - 2005	32008	32418	64426

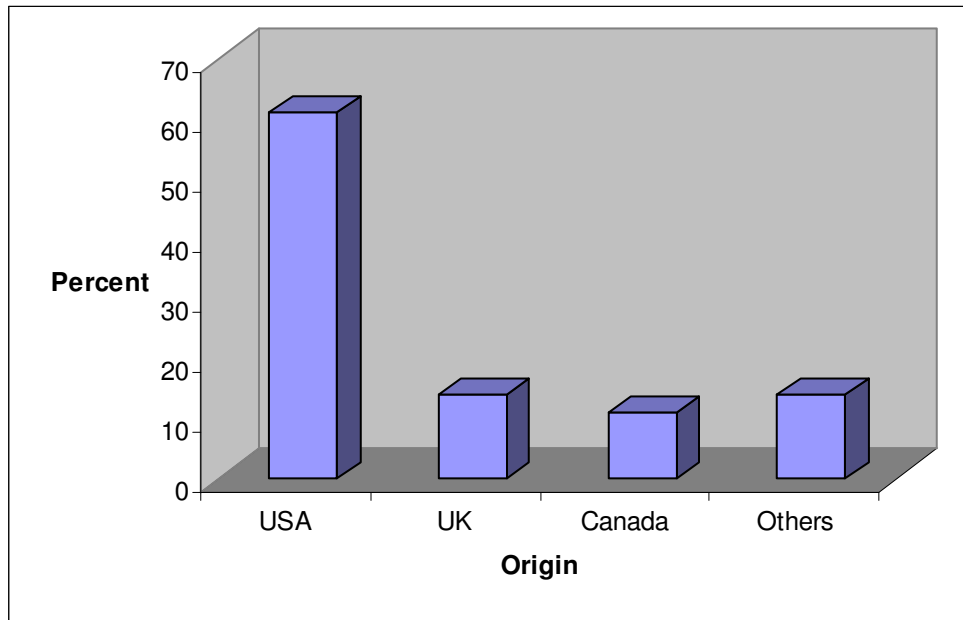
Source: Ministry of Education

UNIVERSITY OF GUYANA

Academic Year	Students Registered	Cash Payment	Loans
1999 - 2000	4,724	858	3,866
2000 - 2001	na	na	na
2001 - 2002	5,098	1,395	3,703
2002 - 2003	5,188	1,350	3,838
2003 - 2004	5,505	1,431	4,074
2004 - 2005	5,483	1,405	4,078
2005 - 2006	5,608	1,644	3,964

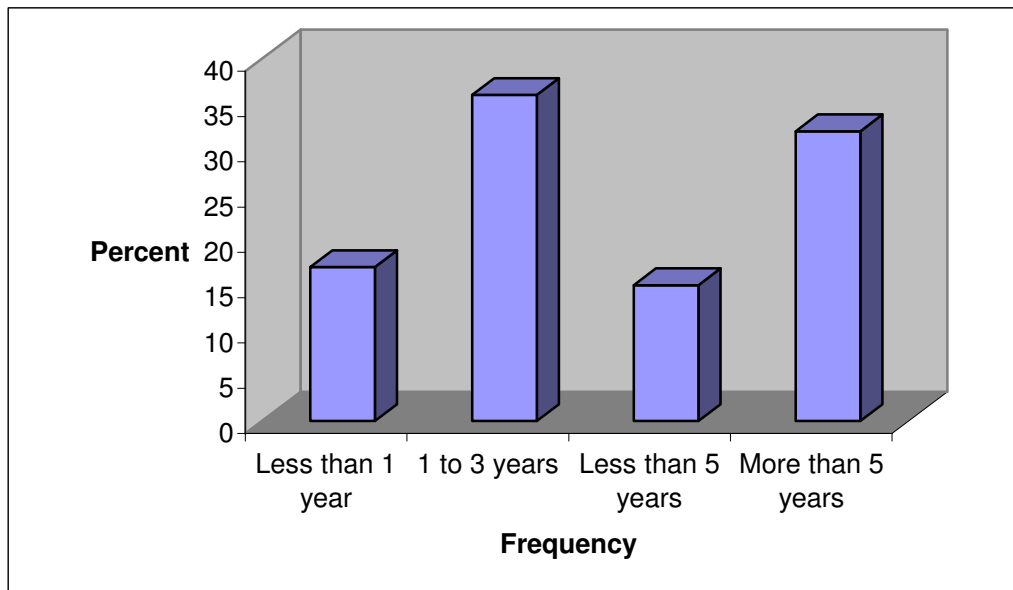
Source: University of Guyana

**Figure 4**  
**Origin of Remittances**



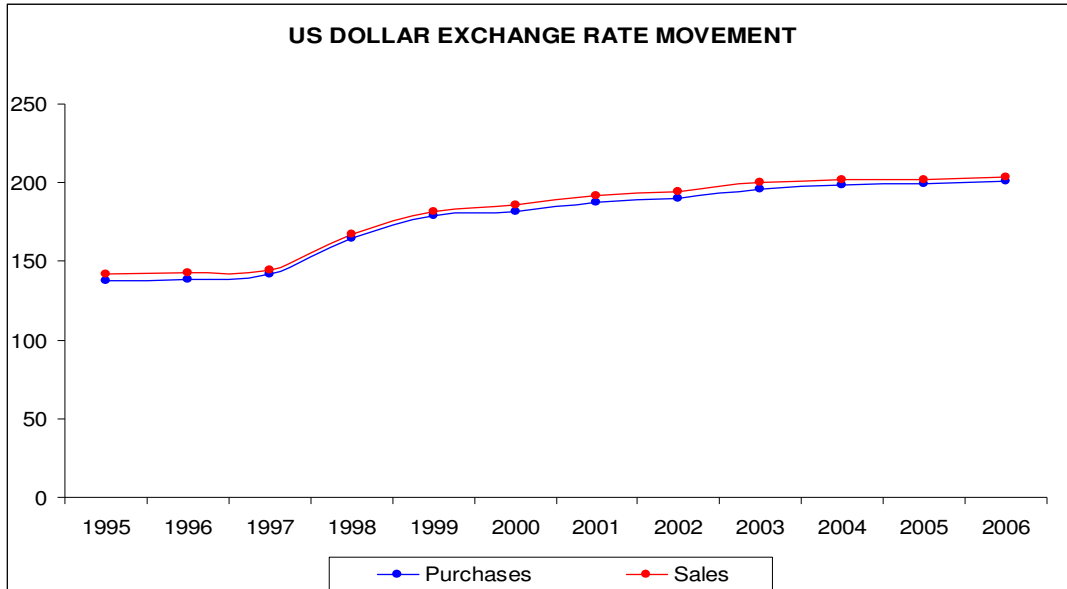
Source: Survey on recipients of remittances

**Figure 5**  
**Length of time receiving remittances**



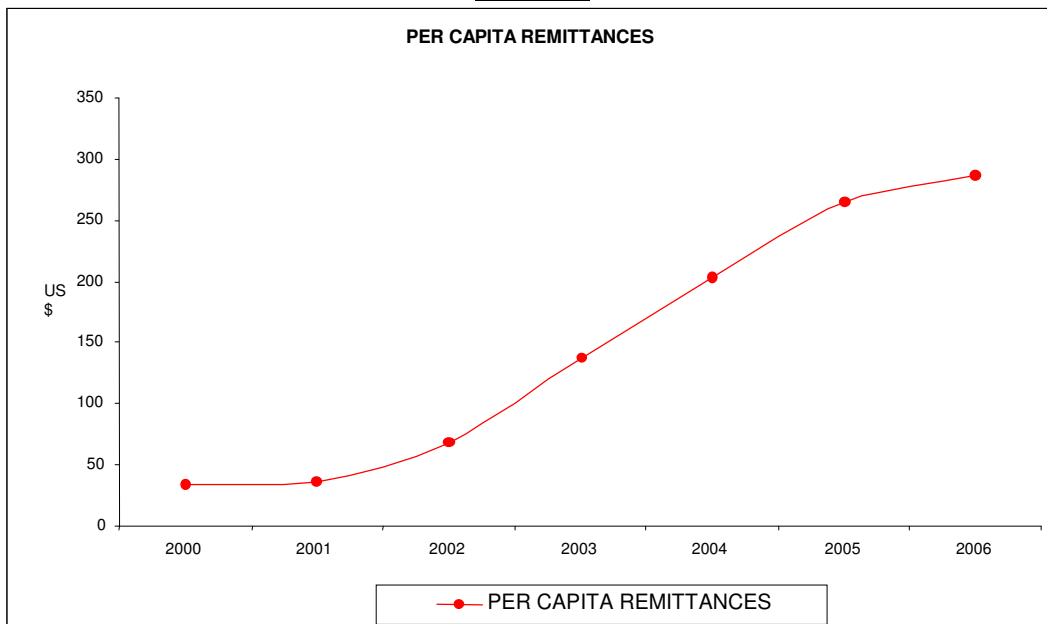
Source: Survey on recipients of remittances

**Figure 6**



Source: Bank of Guyana

**Figure 7**



Source: Bank of Guyana & Bureau of Statistics



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