

# Migration and remittances – the case of Honduras

How does a rural region change when many of its inhabitants emigrate to another country and send money back to their families on a regular basis? How are these money transfers used, and what changes take place in a region as a result? Using the Catacamas Region in Honduras as an example, this article explores these questions in more depth.

Like other Central American nations, Honduras has been experiencing a large wave of exodus in the last few decades. Today an estimated 10 percent of the population, i.e., 700,000 to a million people, lives abroad; mostly in the USA without legal residence permit status. A direct consequence of this exodus are remittances, which migrants routinely send to their families in the form of small money transfers. From a macroeconomic standpoint, these funds have since become crucial to the survival of the country. The remittances account for more than 20 percent of the gross domestic product. As generators of currency, not only are they more important than the various export products, but also more substantial than, say, development aid and direct investments.

Catacamas is an agricultural region in eastern Honduras with some 100,000 inhabitants. The minority of the population lives in the city of Catacamas, whereas the considerably greater majority lives in the surrounding vil-

lages and small settlements, which in some cases are quite remote and isolated due to the poor infrastructure. Catacamas is about three and a half hours away by car from the capital city of Tegucigalpa. The economy of Catacamas is predominantly agricultural, the main activities being livestock raising and dairy (milk and cheese) production, as well as the growing of staple crops such as maize and beans. There are numerous small and medium-sized commercial and service enterprises in the city, but very little industry. The city of Catacamas is well-endowed with higher educational institutions, as in addition to the national agricultural

university, many private universities also have campuses there.

Hurricane Mitch, which ravaged Honduras in late 1998 and also heavily damaged the economy of the nation, seems to have been one of the factors triggering the wave of exodus from this region. According to various studies, over 70 percent of the migrants from Catacamas left after 2000, mainly in search of work. Most of the migrants

*A view over Catacamas. The villages of that region are mostly isolated. Exodus of young people is high.*



Photo: S. Hirsch

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### Migration and remittances in young people's lives

#### Example 1: Investing in economic development

Elizabeth is a young woman in Catacamas, whose three brothers live in the USA and are helping her develop her small business, a beauty salon. They sent her part of the startup capital from the USA, to which she added her own savings in order to make her dream of having her own business come true. Elizabeth's brothers are still helping out by sending her products such as handbags and other accessories from the USA, which she can sell in her beauty salon.

Javier is another example. He came to the USA as a young man and lived there for seven years. He started out as a dishwasher in a casino, and worked his way up to foreman. Today he says that he had always intended to come back to Catacamas and start his own business. He is now the proud owner of a restaurant, which is located in direct proximity to the region's main tourist attraction, the Talgua Limestone Cave.

#### Example 2: Advanced training course for young entrepreneurs

Magda and her husband Edwin took part in the first "business plan course" for company founders. The two met in the USA; he is from Catacamas, she is Columbian. They both returned to Catacamas to convert a piece of property owned by Edwin's family into lots for building single family homes. After participating in the course for company founders, they acquired new knowledge and were thus able to create a more solid foundation for their small real estate business. They developed a clear marketing strategy that also targets former residents of Catacamas now living in the USA, in order to win them over as clients.

are drawn to localities abroad where they already have family members or friends who can help them through the initial phase.

### ■ Migration and remittances – everyone has a story to tell

Even though there is little data on migration and remittances in the region, nearly everyone in Catacamas has something to say about the subject of migration, even if it is only a family anecdote. But there are also many stories of how the remittances have changed the local economy and the face of this region. A survey of over 600 recipients of remittances conducted by the local banks of Catacamas that pay the majority of these remittances revealed that Florida, New York, Virginia, and Texas are the main destinations of Honduran migrants. The study also showed that 80 percent of those receiving remittances are women, mostly between the ages of 20 and 40. Around 40 percent of the remittances originate from sons or daughters,

30 percent from brothers and sisters, and 20 percent from spouses.

The migration and its direct economic consequence, the remittances, have diverse positive as well as negative effects. One of the chief negative effects is that families are torn apart. Most of the Honduran migrants living in the USA have no legal residence permit status, meaning that they cannot move about freely and are unable to visit their families back in Honduras without considerable difficulty. Hence there are many social problems in Honduras linked to the high exodus rate.

*Migrants and their families keep in contact with each other chiefly via cell phone. In the USA they usually charge their cell phones with pre-paid telephone cards, which are sold in small neighbourhood stores.*

On the other hand, various studies point out positive effects, such as the fact that remittances lead to the recipients' investing more in education. In the aforementioned surveys by the local banks of Catacamas, 63 percent of those surveyed stated that they spent a portion of the remittances on food, 33 percent stated that they invested a portion in education, 21 percent stated that they used them for financing a property or a house, and only 2.5 percent stated that they invested the remittance to start up a business or small company.

Another direct effect of the high exodus rate in many regions of Honduras is the rise in real estate prices. For many migrants, the dream of one's own house back home is the first investment that is realised through remittances, as soon as surplus income has been earned in the USA. For example, property in Catacamas is sold directly to clients in the USA, who use remittances to pay for it. Prior to the international financial crisis, many local banks also used to co-finance these purchases. But with the sharp rise in the unemployment rate since 2009, particularly among Latinos in the USA, this business has now become too risky.

### ■ Creating incentives for productive investments

Although the majority of the remittances are "consumed," there are some examples in the Catacamas Region of



Photo: S. Hirsch



*Due to the international financial crisis in 2009, the unemployment rate among Latinos in the USA is rising. The result is a decline in remittances.*

how remittances are being productively invested, or of migrants returning to their homes in order to invest in the startup of a small business (see Box).

The international financial crisis in 2009 also left its mark on Catacamas, last but not least by the fact that remittances to Honduras declined by more than 10 percent, primarily due to the increased unemployment rate among Latinos in the USA. On top of that the nation experienced a political crisis with negative impacts on the local economy. As with any crisis, there is always the hope that it is also an opportunity for change and a new beginning. As far as remittances are concerned, this could mean that recipients will no longer consider them as manna from heaven, for behind every remittance there is a migrant who as a rule is working without documents in the USA and under the constant threat of deportation. 25,000 Hondurans were deported from the USA in 2009 alone.

In order to provide stimuli for sustainable strategies, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) and the German Development Service (DED) advised the local chamber of commerce of Catacamas on how productive investments by

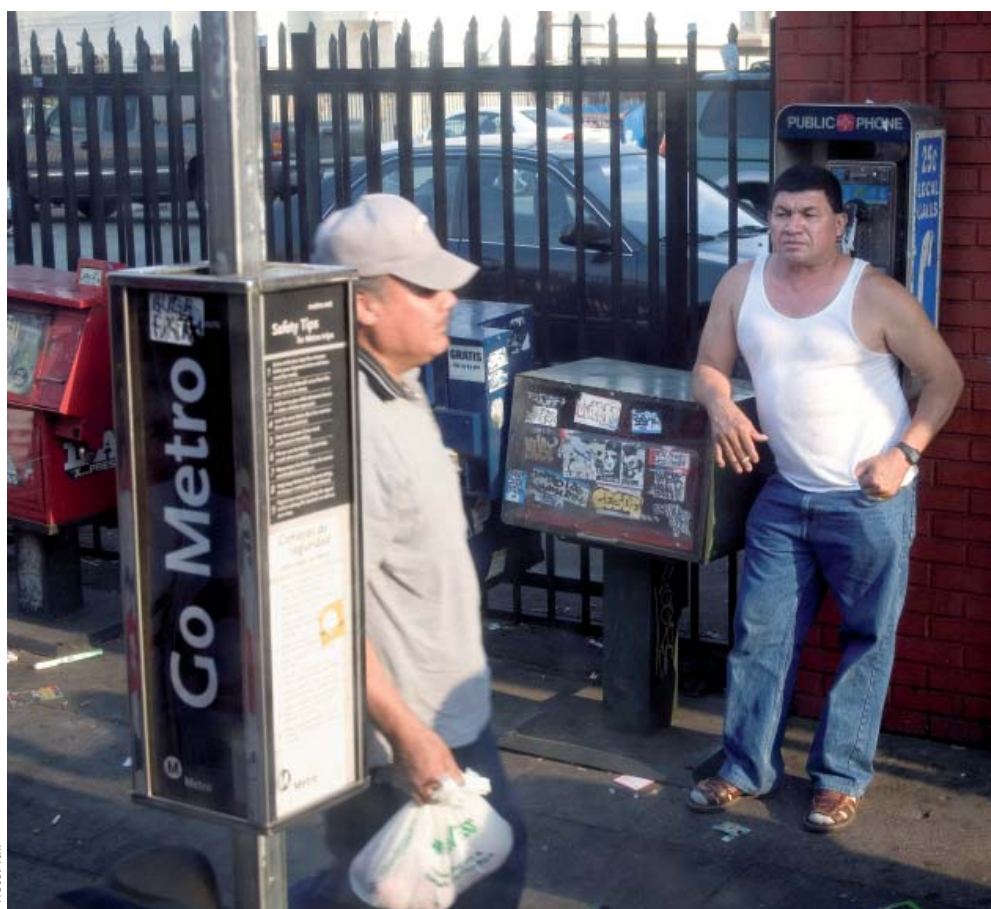


Photo: laif

migrants and their family members could be stimulated. To this end, an advanced training programme for business founders was created, about which migrants living abroad and their family members are informed in various ways. For instance, informational material is sent with the so-called viajeros, or travelers between Honduras and the USA, to various localities in the USA in order to inform migrants about investment opportunities back home. It is interesting to note that

through these measures, the clicks on (or visits to) the Catacamas chamber of commerce website from the USA have increased considerably. The information distributed by the viajeros has apparently piqued the interest of the migrants.

A list of references can be obtained on our website:  
[www.rural21.com](http://www.rural21.com)

### Zusammenfassung

Catacamas, eine ländliche Region im Osten von Honduras, hat sich wie der Rest des Landes durch Abwanderung und Geldüberweisungen von Migranten an ihre Familien dramatisch verändert. Das Geld aus dem Ausland wird vor allem für Lebensmittel ausgegeben, viele Empfänger investieren es auch in die Ausbildung von Angehörigen. Häufig kaufen Migranten mit ihren Überweisungen auch Grundstücke und Häuser in ihrer Heimat. Erwünschte produktive Investitionen in kleine Betriebe sind jedoch rar. Die GTZ

und der DED haben deshalb die lokale Handelskammer in Catacamas bei der Bereitstellung von Anreizen und Informationsmaterial für die produktive Verwendung von Geldüberweisungen aus dem Ausland beraten.

### Resumen

Catacamas es una región rural del este de Honduras, la cual – al igual que el resto del país – ha cambiado drásticamente debido al éxodo y las remesas de los migrantes a sus familias. El dinero enviado desde el extranjero se gasta sobre todo en alimentos,

pero muchos de los destinatarios también invierten en la educación de sus familiares. Asimismo, los migrantes a menudo utilizan las remesas para comprar propiedades y viviendas en sus regiones de origen. Sin embargo, a pesar de resultar deseables, las inversiones productivas en pequeños negocios son todavía poco frecuentes. Por lo tanto, la GTZ y el DED han aconsejado a la cámara de comercio de Catacamas sobre la conveniencia de crear incentivos y distribuir materiales de información para promover la inversión productiva de las remesas.