Economic and Environmental Drivers of Central American Migration

Interim Report and Recommendations

North and Central American Task Force on Migration

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The North and Central American Task Force on Migration is a non-governmental forum of academics, civil society and business leaders, and former policymakers in dialogue with current government officials created to facilitate a broadly driven solution dialogue among the countries involved in the crisis of migration and forced displacement in the region. Initiated by the World Refugee & Migration Council with the Center for U.S.-Mexican Studies, El Colegio de México, the Migration Policy Institute and the Inter-American Dialogue, the task force will issue concrete recommendations for collective, regional action based on evidentiary research to promote responsibility sharing across North and Central America. This report is part of the Task Force's series of interim reports on the following topics available at wrmcouncil.org/TaskForce:

- Humanitarian protection in the region, particularly for women and children who are at greatest risk, including addressing needs of internally displaced persons and building asylum/reception capacity in Central America and Mexico.
- Co-responsibility and cooperation for managing migration, focusing on enhancing regional approaches to migration in the region.
- Institutional frameworks and domestic political considerations, including rule of law, governance, corruption and accountability.
- Investment in long-term development to address violence and gangs, poverty and inequality, and the impacts of climate change.
- Strengthening regular pathways for migration as an alternative to irregular migration, including private sponsorship, family reunification and labor migration.

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Interim Report on Economic and Environmental Drivers of Central American Migration[1]

Most Central American migrants cite economic conditions as a reason for their decision to leave their countries. For some it is the only reason: they migrate because they can no longer survive where they are. For some, their loss of livelihoods is due to environmental pressures such as drought, hurricanes or the long-term effects of climate change. For others, their decisions to migrate are the result of both economic desperation and personal insecurity due to criminal violence.[2] For almost all of them, poverty and loss of hope that conditions will improve are factors in their decisions to move. Until that economic reality and those perceptions change, Central Americans will continue to seek economic opportunities in other countries. The fact is that for many Central Americans, migration is a tried-and-true poverty-reduction strategy. Working in the US or Canada not only improves their standards of living, but also supports their families' survival back home through remittances. Until Central Americans perceive that they and their families can achieve a decent standard of living in their own countries, they will continue to move — even when militarized borders increase the risk and cost of migrating.

While it is evident that the economic conditions driving Central American migration need to be improved, we insist that it is equally important – perhaps even more important – to tackle the political and institutional factors that have contributed to the region's poverty, inequality and lack of economic opportunities. These economic inequities did not happen by chance; they are the result of political and institutional factors, such as widespread corruption and tax evasion, political decisions that short-change social protection, weaknesses in rule of law, regressive and low taxation systems and environmentally predatory economic practices. Increased foreign assistance without corresponding political reforms is unlikely to reduce migration. The Task Force's report on political and institutional factors driving migration offers some recommendations for addressing those factors.

The following sections detail some of the economic and environmental conditions that are driving migration. Many of these conditions are structural in nature and will require long-term investments. But there are measures that can be taken now which we believe will improve the lives of Central Americans and which could, incrementally at least, contribute to a reduction in the economic conditions that have led millions to make the dangerous trek northwards. This report focuses on those economic and environmental factors most closely linked to migration — strengthening employment

[1] This report is drawn from papers prepared by Carlos Alvarado, Instituto Centroamericano de Estudios Fiscales (Guatemala) — *Estado de derecho en Centroamérica: consideraciones económicas y fiscales de la migración forzada*; Manuel Orozco, Creative Associates (US) — *Migrant Remittances to Central America and Options for Development*; Pablo Escribano (IOM-Central America) — *Environmental Drivers of Migration from Northern Central America*; and Jaime Ordoñez (Faculty of Law, University of Costa Rica) — *La pobreza como causa esencial de la expulsión humana y la migración (Centroamérica 2021-2022)*. The report also benefited from conversations with representatives of Partnership for Central America.

[2] As detailed in our report on humanitarian protection in the region, violence is a driver of both internal and cross-border displacement in the region. According to Creative Associates (2019), most Central Americans cite economic concerns as their main reason for migrating; those citing victimization range from 14% in Guatemala to 18% in Honduras to 38 % in El Salvador. Also see Abuelafila et al 2019.

opportunities in the formal sector; financial education, bankability, and access to credit; (Kemme and Benavides, 2019) as well as education and opportunities for youth.

Central American migration, however, is not only about Central Americans traveling to the US. Central American countries are migrant-sending countries but also are countries of transit and destination; there is considerable and regular back-and-forth movement across borders in the region. The three countries in Northern Central America also confront the great challenge of re-incorporating a significant number of their citizens returning from the US and Mexico, some voluntarily but principally through deportations. To complicate things even further, nationals from countries outside Central America are traveling through Central America towards the United States, including large numbers of Haitians.

Economic Drivers of Migration

In terms of macroeconomic indicators, El Salvador, Guatemala, Honduras and Nicaragua register a GDP per capita substantially lower than their southern neighbors. All countries in the region experienced a decline in GDP in 2020 as a consequence of COVID-19: -8.6 percent in El Salvador; -1.5 percent in Guatemala; -8 percent in Honduras and -9 percent in Mexico (CEPAL, 2021, 8). One in four businesses in El Salvador, Guatemala, Honduras and Nicaragua closed (Aterido et al., 2021,1).

The impact of the pandemic has been particularly acute in externally dependent and highly informal economies such as the countries of Northern Central America, because they also are the ones exhibiting the lowest economic complexity and have experienced higher income losses (Orozco, 2020). In fact, the loss of more than 10 percent of per capita income, with a larger effect on the informal sector, where migration mostly originates, set families back to 2017 levels. In 2021, per capita growth is expected to be below 2 percent. Women were hit particularly hard by the effects of COVID-19 restrictions and were more likely to lose their jobs, in part because of the closure of schools (Aterido et al, 2021, 1)

Demographics, the Economy and Migration

In terms of population trends, Central American countries have a demographic dividend in that they have a larger percentage of working age populations than older people. These workers will need to be incorporated into the labor sector in the coming years and can contribute to the economic growth and development of the region. Unfortunately, countries in the region have been unable to generate quality employment opportunities for the population, which has led to migration. This means that the benefits generated by this demographic dividend are being enjoyed by the destination countries, in particular by the United States' economy.

As Table 2 indicates, unemployment rates increased in all Central American countries between 2019 and 2020, reflecting the economic impact of COVID-19 measures and, at least in the case of Honduras, the devastation caused by Hurricanes Eta and Iota.

As Figure 2 indicates, there is a significant difference between men and women in terms of employment rates. Targeted strategies, including provision for child care, are needed to support women's participation in the labor market. While official unemployment figures are relatively low, these overall figures do not reflect the fact that most employment is in the informal sector — characterized by low wages, precarious employment and lack of social protections.

Guatemala, for example, had the lowest unemployment rate — 2.8 percent per year — in 2015-19, but 70.2 percent of employment in 2019 was in the informal sector and even higher in the case of women (71.4 percent) and the indigenous population (84.6 percent).

Much more attention needs to focus on this vast informal sector, which is comprised of more than two-thirds of the region's labor force and business sector. In fact, it is euphemistic to talk about a private sector in Central America when most of these enterprises are one-person operations with earnings that do not generate significant wealth. At the same time, addressing informality has proven to be difficult and largely unsuccessful: Central America, like much of Latin America, has not managed to reduce the size of its informal sector in the past 40 years. It is a systemic chronic problem that cannot be resolved as part of a single strategy because it is connected to human capital: those in the informal economy are unskilled, uneducated, underpaid, and therefore uncompetitive. Any effort to address economic drivers of migration must grapple with the informal sector.

Economic performance in the region is shaped by low levels of productivity associated with the presence of a large mass 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), without access to financing, with no substantive links to value chains with limited market access, and without making 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.

Despite evidence showing that business formalization increases employment and revenues (Khamis, 2014), governments, donors and the private sector often struggle to focus on this issue in a systematic and strategic manner. Yet any approach to economic development which mitigates migration will depend on establishing a clear strategy of business and labor formalization. At a minimum, a development strategy should focus on ways that formalization maximizes revenue opportunities. In this regard, financial education and advising pay off in increased trust by the public in the financial sector, which in turn contributes to formalization.

The strategy should focus on those more likely to succeed as revenue generating business operations, and with the goal and capacity to generate employment. In concrete terms, formalizing 60,000 businesses in Central America — each of which hires one additional worker — would generate employment for an additional 60,000 workers.

Engagement of the private sector is essential in the process of formalizing the informal economy. As a recent study by the Atlantic Council concluded, employers can help reduce informality by "working with governments to design and execute active labor market policies (workforce training, apprenticeships, employability courses, counseling and job matching), helping the informally self-employed and job seekers navigate through administrative costs and requirements for conducting formal work and participating in civil society-led pledges that commit businesses to support formalization of their own supply chains and clients" (Bozmoski and Sadurni, 2021, 3).

Central to the region's recovery and migration mitigation is a stabilization program that targets a critical mass of the labor force, its private sector and the most vulnerable populations. Businesses in the informal economy make a very small contribution to national income but are responsible for more than half of its labor force. In terms of the economic impact of the pandemic, while these informal businesses and workers did not lose jobs, they lost the equivalent of one month of income. Those losses are unrecoverable in the short term.

Entrepreneurship modernization is necessary to help societies adapt to changing dynamics in the post-pandemic period.

Integrating businesses further into the digital economy is urgently needed, such as through internet-based data storing and processing across all economic sectors and intermediaries, including money, information, or connectivity. Skills training and technical and financial support — to be carried out largely through the private sector and civil society — should be aligned to strengthen workers and businesses in the digital and knowledge economies, ensuring that microenterprises are accessing digital tools. The weakness of the productive system in Central American countries is reflected in the high levels of poverty and extreme poverty (see Table 3). Strategies are needed to reform the fiscal system and to create an even playing field.

In general, the greatest proportion of persons living in conditions of poverty and extreme poverty are found in rural areas – areas where salaries for rural workers are low, social protection is weak and there is greater vulnerability to disasters, environmental degradation and climate change.

The lack of decent work conditions in rural areas, coupled with inequality, poverty and lack of social protection has led to dramatic increases in rural to urban migration. Hundreds of thousands of Central American farmers have abandoned the countryside and their agricultural occupations and moved to an urban world of segregation and poverty; living in vast informal settlements and working in the informal sector in low quality jobs, they experience human, educational and economic marginalization.

COVID-19 has intensified this process. The poverty rate in Honduras could increase by 70 to 75 percent by the end of 2021. Honduras is the country registering the greatest inequality in the region as well as the highest levels of poverty and extreme poverty. Poverty in Guatemala has increased by 5-6 percentage points, now affecting 60 percent of the population with 3.5 million people experiencing structural hunger and extreme poverty (SICA, 2021). COVID-19 has had a particularly negative impact on women (CEPAL, 2021).

The economic structures have produced grave results in the educational and health sectors. Barely 41 percent of young Central Americans who enter the educational system graduate from secondary school (CEPAL, 2016-2019). This pre-COVID statistic has deteriorated by at least 5 points in each country in the region. Young people between 15 and 29 make up 30 percent of the population in Guatemala and Honduras and 28 percent in El Salvador; this is also the group that is least able to find educational, employment or training opportunities, with nearly 28 percent of the youth population unable to access any of these options (Savoy and Sady-Kennedy, 2021). In each of the Northern Central American countries, only about a quarter of the potential labor force has completed upper secondary school and only about 10 percent has completed any type of tertiary education (Bozmoski and Sadurni, 2021, 4). Each year, about 100,000 youths enter the labor market in the Northern Triangle, and the prospects of finding quality jobs is limited in view of the low rate of economic growth (Abuelafila et al., 2021, 12). More attention is needed to address the transition that youth face between education and training, as well as entry into the formal labor market.

Similarly, there are shortcomings in the health sector. While expenditures on health in Latin America and the Caribbean were around US$1,000 per person from 2017-2019 (only one-fourth of the expenditures of OECD countries), the corresponding figure in Central America was less than US$250 per person.

Weak health and education infrastructure and inadequate social protection policies, coupled with lack of confidence in public institutions has led to a generalized social discontent with the functioning of public institutions, as well as a negative evaluation of the capacity of governments to provide essential public services and respond to the concrete problems people experience.

The tax systems of the region do not generate sufficient income to fund healthcare, education, infrastructure, etc., thereby perpetuating the poverty trap. Tax collections are impacted by the high degree of informality, contraband, tax evasion, and the low effectiveness of the tax collection authorities. In addition, marginal tax rates on individual taxes are low. In the case of Guatemala, the income tax system is progressive in that there is a base rate of 5 percent and a higher rate of 7 percent for high-income earners. However, the personal tax-rates themselves are low. All of this adds up to lower collections. Whereas the average revenue from taxes in OECD countries in 2019 was 33.8 percent and in Latin America was 22.9 percent, the figures for Mexico and Northern Central America were: 21.9 percent for Honduras, 20.8 percent for El Salvador, 16.5 percent for Mexico and 13.1 percent for Guatemala (OECD, 2021).

Additionally, as argued by Barreix et al. (2017) Central America displays the same characteristics as Latin America in that: "Personal Income Tax [PIT] is a progressive tax paid by only a small proportion of formal high-wage earning individuals, mostly those at the highest income decile and whose basic tax reliefs and standard tax allowances amount to 62 percent of gross income of their taxable income. In fact, on average, more than 80 percent of the PIT is paid by the richest decile, as shown by information provided by the national tax administrations. However, high wage earners paid very low effective average tax rates. Furthermore, the average effective rates of PIT are below the average statutory minimum tax rate in almost every country in the region. The amalgamation of these factors in turn resulted in scant revenue-raising capacity and a meagre impact on income redistribution."

In order to address some of the economic drivers of migration, municipal and state governments have an important role to play. Given patterns of rural-urban migration – in part exacerbated by environmental conditions as discussed below — municipal governments are challenged to support the development of the formal economy and creation of new job opportunities.

Remittances, discussed in greater detail below, form the greatest influx of resources coming from abroad — in 2020, they were greater than receipts from exports of goods and services in El Salvador and Honduras and only slightly lower in the case of Guatemala. In El Salvador, remittances made up around 79 percent of public spending while in Guatemala this proportion reached around 94 percent. In contrast in Honduras, remittances in 2020 were 12.9 percent more than total public spending.

Remittances are particularly important because of the lack of opportunities for Central Americans to find adequately compensated work in the region. The precariousness of employment and lack of adequate social protection means that families of migrants working overseas are largely surviving because of remittances. Governments in the region count on remittances as a cornerstone of their economic strategy (López Obrador, 2021). At the same time, remittances have also led to a consumer economy which generates low quality jobs with little value added that keeps wages low. Remittances also have an effect on tax collection as these flows are tax-free, and are sometimes used for money-laundering and thus abet corruption.

Recommendations:

There is widespread recognition that change is needed in order to address the economic factors that are largely driving Central American migration. CEPAL (2021), SICA (2021), the Biden administration (US, NSC 2021) and others have all developed serious and far-reaching recommendations for strengthening the economies in the region. The recommendations of this Task Force focus on the need for a coordinated **region-wide response** to tackling the economic and environmental drivers of Central American migration. While many changes must be implemented at the national and local levels, we believe that a comprehensive strategy for the region in needed — one that both engages Canada, the US, Central America and Mexico and involves a wide range of stakeholders, including development banks, the private sector and civil society organizations. Most Central American exports are to other Central American countries, so regional institutions need to be supported to play a stronger role in addressing the economic challenges in the region. We also call on the governments of Canada and the US to coordinate their support for a region-wide approach to work towards comprehensive radical change.

- We recommend organizing an **international conference** with academics, policy-makers, civil society groups and representatives of international financial institutions to consider measures to launch a new 'Marshall Plan' like initiative to address the structural inequities and forces that compel people to migrate. Specifically, we ask the members of this Task Force together with other initiatives, such as the Partnership for Central America and regional organizations – such as SICA, the InterAmerican Development Bank and CEPAL – to collaborate in planning this international conference in 2022. Particular attention should be paid to the binding constraints to and opportunities for job creation in each country, with a particular focus on gender and youth. Such a conference could be used to identify the elements of a comprehensive strategy for economic revitalization of the region and to jump-start activities which will have an immediate impact on the lives of Central Americans.
- We call on the multilateral organizations that finance social protection policies or programs in Northern Central America to evaluate the impact of their policies on the population, with a particular focus on women, youth, indigenous groups and other traditionally-marginalized groups. We also ask them to consider the impact of their policies on migration – those who are contemplating migrating, those who have already migrated, and those who have returned.
- We urge governments in the region, with the support of donor governments and in close collaboration with the private sector, to develop a concerted regional strategy to attract foreign investment to the region in support of development goals.
- We urge governments and other stakeholders to lower the barriers to formalization. Bureaucratic red tape to formalize businesses must be reduced and mechanisms created to facilitate the transition. The digitalization of all government procedures would be a significant positive step in this direction and should be supported by the private sector, the international financial institutions and donor governments. We urge governments in the region to discuss the possibility of developing regional level credit schemes, perhaps as a component of the work of the Regional Migration Council proposed in the Task Force's report on regional cooperation.
- We recommend that local cities be prioritized as destinations for migrants in search of opportunities. The cost-benefit equation would favor local cities if they could offer enough formal sector jobs and adequate housing.
- We call for development of a regional strategy to foster more employment opportunities for young people in the region through careful evaluation of existing youth-centered projects, coupled with a

commitment by development banks and donor governments to support youth employment projects.

- We recommend that regional organizations offer workshops to share experiences within the region of successful efforts to formalize the informal economy. In particular, we recommend that targeted efforts be developed to provide financial advising and coaching to small businesses, to improve access to financial services, to utilize savings generated through remittances (see below) as credit to increase productivity, to invest in the knowledge economy and to support digital and technical advances.

Migration and Remittances

One of the key factors associated with migration is that migrants send money back home. The contribution of remittances to the region's economy is considerable as it represents 22 percent of GDP for the countries of Northern Central America. These flows are the largest source of foreign exchange in the region and generate disposable income for at least 4 million households (in a region with 14 million households). Receiving remittances overall has become an economic source of survival, and, at least for some, prosperity.

A 2019 study by Creative Associates found that 25 percent of people from Northern Central American countries had considered emigrating. In 2021 in El Salvador, the percentage increased from 24 percent to 36 percent (Orozco, 2021). Generally, people who have considered migrating reported being exposed to difficult economic situations and had been victimized to a greater extent than those who had not considered emigrating. Many small businesses, for example, are forced to pay extortion money to criminal gangs. People considering migrating also have more extensive transnational family ties than those who have not thought about migrating (Creative Associates, 2019). Across the region, young people are twice as likely to consider migrating as older people. Those most likely to consider migrating also tend to live in low-income households, work in the informal sector, be unemployed or are skilled workers with at least a high school education. Those who have an unfavorable outlook on the future economic situation, have been victimized, and/or have transnational ties are also likely to consider migrating (Creative Associates, 2019).

Research confirms that a range of economic issues influence whether residents from these countries consider migrating. Living in a household earning less than $400 a month that can't make ends meet makes people 1.24 times more likely to consider migrating. Believing that conditions are worse off today than they were last year makes people 1.67 times more likely to think about migrating. Labor market conditions also matter. Regarding transnational ties, having a relative abroad does not make a person more likely to think about migrating but receiving remittances does. In all three countries of Northern Central America, receiving remittances has greater statistical significance for intention to migrate than having a relative abroad. However, the statistical interaction between receiving remittances and having a relative abroad is significant and yields a 71 percent chance that the person has thought of migrating (Orozco, 2021a).

The flow of remittances to Central America, which in 2021 will amount to over US$30 billion has experienced unprecedented growth. Remittances will represent 23 percent of GDP; in other words, one in four US dollars in the national economy are migrant transfers.

It is also important to understand remittances not only in terms of its total volume but also in terms of the number of senders and the transactions that accompany them. Before 2016, each migrant remitted on average 16 times a year with an average of US$240 per transfer.

This amount has been growing every year and now averages more than $300 per transfer (Orozco, 2021a).

This growth in remittances is far greater than the increase in migration, even considering the outflow of 1 million Central Americans in 2021. Moreover, growth in remittance volumes does not correspond with growth in person-to-person transactions. The increase in transactions was lower and not associated with migration levels, but rather with more migrants already in the US sending money and sending higher amounts. In addition, there is a concern that a growing share of the remittance flows might include proceeds from transnational criminal activities.

Overall, remittances from Central America have continued to exhibit significant growth and signal important dynamics, especially reflecting concern among migrants about economic deterioration and lack of good health-related protection against COVID-19 in their home countries. In fact, Central American migrants are sending 28 percent more money back home than they sent in 2020.

As deportations and apprehensions at the border increase, a slowdown in remittance volume is likely to occur. It is worth pointing out that Honduran out-migration continues to be strong and may explain some of the recent growth in remittance volume.

Remittances are important in the household economies of family members who receive them from migrants working abroad. Remittances increase disposable income and offer opportunities to build wealth. However, those opportunities are sought through migration in so far as incentives to invest savings are limited. Within the context of the pandemic, those who stopped receiving remittances were more likely to migrate. Motivating families to invest their income as they recover from the crisis, including income received through remittances, is a central element of economic recovery (Orozco, 2021c).

It is important to integrate the economic contributions of migrants (such as remittances) in order to link them to 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 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 (Orozco, 2013). The increase in disposable income from remittance transfers increases savings capabilities (Orozco, 2016).

One way of formalizing savings is through financial advising that can help formalize at least 20 percent of savings among remittance recipients. Formalizing savings not only helps people to build wealth (which is negatively correlated with the intention to migrate), but also helps communities by making capital available for local entrepreneurs in both the informal and formal sectors. Moreover, savings formalization reduces the intention to migrate (Inter-American Dialogue, 2018).

The informal economy lies at the intersection of underdevelopment, the root causes of migration, and migrant capital. 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. In this sense, expanding credit to new sectors – such as education and skills development – for which no substantive financing has existed before, will increase productivity.

It is important to reorient investment with existing resources, including those leveraged from remittance savings. A strategy that annually formalizes and mobilizes 25 percent of savings among 3.5 million remittance recipients will bring US$250,000,000 into the formal sector, while generating profits.

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 reduce its risk by working with 10 percent of competitive firms in this category, which encompasses some 700,000 formal businesses, of which the majority are two-person businesses.

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 generate create one new job per business. Similarly, local credit unions and cooperatives, which make loans to local enterprises, should participate in efforts to increase participation in the formal banking sector.

Along those lines, a $40 million dollar investment over three years in formalizing and mobilizing remittances can impact at least 1,000,000 households a year, formalizing savings of 30 percent and making migration less likely for at least half of those (150,000 people). This strategy increases wealth and can mitigate an important driver of migration.

Promoting a more qualified labor force through training in key areas and strengthening the knowledge economy is a central step to mitigate migration. Investing credit (leveraged from remittance savings) in services in the knowledge economy is fundamentally important because it tackles both low productivity (which yields low incomes, typically below US$400 a month) and highly informal economies — both of which are statistical determinants of out-migration.

Such an approach integrates migrant capital investment and savings from remittances into the financial sector, further mobilizing these resources for local development in education, skill formation and trade. This strategy also 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.

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

Investing in education to complement the existing public education system in areas of high migration also tackles those youth at risk of migrating. Not only are programs needed to enable people to stay in school and participate in vocational training programs, but enhanced efforts are needed to facilitate the transition to jobs in the formal economy. Currently, nearly half of all people detained or apprehended at the US Southwest border are minors, of whom 30,000 are traveling on their own.

Recommendations:

- We urge governments and other stakeholders in the region to take steps to encourage migrants to formalize their savings of remittances, including through public marketing campaigns and banks' encouragement of such savings mechanisms. We encourage regional organizations and initiatives – such as SICA, CEPAL, IDB and the Task Force-recommended Regional Migration Council – to consider ways to monitor the formalization of remittances and to share good practices with countries in the region. Such regional bodies could also work with financial transfer companies to lower the costs of sending remittances.

Environmental drivers of migration

Environmental drivers of migration have received increased attention in recent times, notably since the start of the so-called migrant caravan phenomenon in 2018. This attention has translated in an emerging body of research and new policies at the national and regional levels addressing the intersection between migration and mobility. This relation is not always direct and invariable; on the contrary, multiple factors affect the way in which environmental drivers influence internal and international migration. The impact of environmental hazards in the three countries is compounded by their socioeconomic structures, including the reliance on rainfed subsistence agriculture, the limitations of social protection schemes, the weakness of existing climate adaptation mechanisms and the prevalence of significant multidimensional poverty levels and income inequality. Gender dimensions play a crucial role in shaping the environment/human mobility nexus, as women and girls typically have less resources to adapt to climate change and are differently affected throughout the mobility continuum (ChristianAid and Inspiraction, 2019).

The focus of many publications on climate change reflects the systemic nature of hazards that affect El Salvador, Guatemala and Honduras. These countries are simultaneously exposed to multiple slow-onset processes and sudden-onset hazards, affecting the livelihoods of vulnerable communities (Marin et al., 2014). Climate hazards interact with poverty, violence, land concentration and food security in a reciprocal manner: on one hand, climate change exacerbates poor living conditions across these variables while at the same time, the degradation of living conditions enhances climate vulnerability. This creates a vicious circle that can lead to internal and international migration (IOM, 2021). In addition to the widespread impacts of environmental hazards, there are problems with trash collection, air pollution and contamination caused by human activity. Much of the response to these phenomena depends on municipal action.

Drought has been associated with migration from Northern Central America, in particular in the area known as the Dry Corridor, an arid region spanning across El Salvador, Guatemala and Honduras (as well as other countries), where meteorological droughts are projected to worsen throughout this century (Depsky and Pons, 2020). It should, however, be noted that droughts do not affect all countries the same and hazards should be studied at a lower-than-national level to understand their impact on communities (Anderson et al., 2019).

Food insecurity levels have risen in the Dry Corridor as a result of multiple variables, including environmental change. Drivers of food insecurity include high dependency on agricultural income, poverty, consecutive drought patterns and others (Beveridge et al., 2019). In areas of Guatemala for instance, where rainfall is crucial to harvest and food security, migration appears as a risk management strategy when options to cope with drought are not adequate, in combination with alternative non-migratory options (Milan and Ruano, 2014). Statistical correlations appear in Central America between climate variability, food insecurity and migration (WFP, 2017), with increased propensities to migration when droughts are recorded in areas of origin (Olivera et al., 2021).

Certain demographic categories present a higher tendency to migrate when confronted with drought scenarios: research has found that "younger individuals are more likely to migrate in response to these disasters, especially when confronted with droughts" (Baez et al., 2017).

Sudden-onset hydrometeorological hazards have had strong historical impacts in El Salvador, Guatemala and Honduras, and the recent 2020 hurricane season (in particular with hurricanes Eta and Iota) has driven massive displacement, with 1.7 million new displacements in Central America and the Caribbean (IDMC, 2021). Disaster displacement remains the most concrete example of environmental drivers of human mobility at play, where concrete hazards can be easily tied with mobility, while the migration outcomes of drought and other slow-onset processes are typically harder to pinpoint (Hermans and McLeman, 2021).

Flooding appears as a key driver of vulnerability in the region, as multiple studies have highlighted. In Guatemala, extreme weather events – notably flooding – affect livelihoods and food security, but the impact on mobility is shaped by social circumstances (Lozano Sivisaca et al., 2015). Similarly, community resilience appears as a factor in the mobility outcome of flooding in Garifuna communities of Honduras (Wrathall, 2012).

Geophysical hazards are often overlooked sudden-onset events that also drive human mobility from Central America. Large disasters such as the El Salvador earthquakes of 2001 (which led to a TPS designation by the US government) or the Volcan de Fuego eruption in Guatemala in 2018 have sparked displacement and been tied to longer term migration.

The combination of sudden and slow-onset hazards exacerbates vulnerabilities in complex manners and in intersection with social and economic factors. Is it important to understand the interaction between environmental change and other drivers of migration given the multicausality of human mobility, as environmental hazards do not happen in a vacuum but in concrete human societies (UK Government Office for Science, 2011).

In the case of Northern Central America, "factors including poverty, violence, food insecurity, limited government support, lack of land planning and land access, among others, compound environmental drivers in systemic manner, generating multifaceted scenarios in which individuals and communities make the decision to migrate" (IOM, 2021). High poverty levels, unemployment and reliance on subsistence agriculture drive vulnerability.

While the local impacts of climate change vary between and within countries, limited capacity to adapt appears to depend on the location of farms, and becomes weaker in areas far from cities, in agricultural frontiers and in more drought-prone regions (Bouroncle et al., 2017). Land degradation is driven by multiple factors, including poor agricultural practices, deforestation and environmental change. At the same time, limited land ownership opportunities, land holding uncertainty and soil degradation appear as drivers of migration is studied communities of the Maya Biosphere in Guatemala (López-Carr, 2012).

Contributing to these changes is the concentration of land in certain areas of Guatemala for African palm and sugarcane production, replacing traditional smallholding farming. Aggressive land buying practices, displacement of communities and limited employment opportunities in monoculture plantations create additional pressure in rural areas (IOM, 2021).

Gender dimensions are critical to understand underlying vulnerabilities that are exacerbated by climate change and influence human mobility. Women working in agriculture are particularly exposed to climate change. They have limited access to land and resources and are attributed multiple tasks in line with predominant traditional gender roles (IOM, 2021). These obligations may be exacerbated when men migrate, leaving women in rural areas in charge of smallholding farms and of household and care responsibilities (ChristianAid and Inspiraction, 2019).

There are still limited studies on the specific impacts of climate change on indigenous communities of Northern Central America including a human mobility perspective. However, initial research points to their vulnerability given their dependency on climate-sensitive food production systems, the limited diversification of their incomes and their settlement in hazard prone areas (Camacho and Soto-Acosta, 2015).

Climate change projections for Central America and their expected impact on human mobility (Rigaud et al., 2018) remain a cause for concern. Based on existing global agreements, the current political focus on addressing the root causes of migration – including weak climate resilience – can bring positive results by relieving pressure on exposed communities. Once again, the importance of good governance in taking steps to support climate resilience is underscored. Nevertheless, it is important to address environmental drivers carefully, avoiding a negative narrative on migration and promoting a nuanced understanding of the environment/migration nexus. Migration in El Salvador, Guatemala and Honduras is not only a reflection of poor adaptation to climate change, but also a contributor to development and to adaptation.

Migration should not only be considered the negative consequence of unmanaged risks. It is also an important feature of Central American societies and a traditional risk management mechanism. In studied communities of Honduras, migration is employed by households to diversify incomes when hazards strike and enable the rest of the family to stay in their land (Vallejos Mihotek, 2020). In other cases, hazards actually inhibit migration by reducing the availability of resources to travel or making household rely on external sources of funding (IOM, 2021). Public policy should address the potential cases of trapped populations who cannot rely on migration to escape hazardous situations.

Recommendations

- We recommend that governments in North and Central America prioritize climate change mitigation; reducing the risk of global warming through, for example, efficient energy production and supporting mitigation on a global scale is important to reduce the risk of environmental hazards.
- We recommend that governments and other stakeholders in the region develop climate adaptation and disaster risk reduction policies that are tailored to local realities.
- Countries of Northern Central America are exposed to multiple compounding hazards, but these affect communities in distinct ways. It is important to consider the concrete specificities of communities and their exposure and vulnerability levels when designing climate adaptation and disaster risk reduction interventions to prevent forced migration. In this sense, research shows that one-size-fits-all approaches usually fail, since they don't account for the concrete exposure to hazards at the community level. What works for a smallholding farming community in the Dry Corridor may not work for coastal communities, or in mountain areas. Agricultural practices, gender dimensions, and sociocultural aspects need to be carefully considered. While the conversation on climate change adaptation and disaster risk reduction is often carried out at the national level, further efforts are required to tailor interventions to lower administrative levels.
- We recommend that efforts to address environmental drivers of migration be carried out in a comprehensive framework that recognizes the multicausality of migration and the intersection of drivers.

In Northern Central America, the search for better economic opportunities (sometimes triggered by climate impacts) and the prevalence of violence appear as critical drivers of migration. Addressing the environmental drivers of migration in a vacuum may not yield expected results as communities are affected by a combination of vulnerability factors. This calls for an enhancement of policy coherence based on an SDG-oriented agenda that can leverage development multipliers and bring positive change at community level. Cross-cutting development interventions are as important as specific climate change adaptation and disaster risk reduction actions to meet the needs of vulnerable communities and create systemic change in the region.

- We urge governments to prepare for assisting environmental migrants in both slow and sudden onset scenarios, including the development of micro-insurance schemes.

Given the prevalence of sudden-onset disasters in Central America (hurricanes, floods, geophysical events), strong and proactive humanitarian engagement is required to meet the needs of displaced populations and find durable solutions to their situation. With regards to migration due to slow-onset hazards, such as drought, it is important to understand the needs of Central American countries in managing urbanization and internal migration processes. Investments in social protection schemes and in urban planning can yield positive results to improve the situation of internal migrants and prevent further forced mobility. In both sudden and slow onset scenarios, the stronger involvement of development actors is needed.

- Finally, in their planning for environmental and climate change, we urge governments and other stakeholders to recognize that migration can be part of the solution.

Central American countries are countries of migration and policies solely focused on preventing migration are bound to fail. Instead, well-managed migration can bring positive outcomes in terms of development, as well as reduced exposure and vulnerability to environmental hazards. Households with the capacity to move can diversify their incomes, leave hazard-prone areas and seek protection from harm. Regular pathways should be established for persons affected by disasters, environmental degradation and the adverse impacts of climate change.

In the discussion of the economic and environmental drivers of migration, there was recognition that alternative migration pathways are needed – to protect those at risk of violence and persecution, to offer safe pathways for migrant labor at all skill levels and to provide refuge to those affected by disasters, environmental degradation and the adverse effects of climate change. The discussion of alternative migration pathways will be the focus of the next interim report of the North and Central American Task Force on Migration.

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Annex I: Tables and Figures

Table 1: Per capita GDP in Central America

Time	El Salvador	Guatemala	Honduras	Nicaragua	Costa Rica
2016	$ 3,806	$ 4,173	$ 2,343	$ 2,108	$ 11,666
2017	$ 3,910	$ 4,451	$ 2,454	$ 2,159	$ 11,815
2018	$ 4,068	$ 4,473	$ 2,506	$ 2,021	$ 12,112
2019	$ 4,187	$ 4,620	$ 2,575	$ 1,913	$ 12,244
2020	$ 3,810	$ 4,666	$ 2,395	$ 1,817	$ 11,876

Source: World Bank Development Indicators

Table 2. Unemployment rates

Country	2020	2019
Costa Rica	17.10%	11.50%
El Salvador	7.00%	4.00%
Guatemala	4.70%	2.40%
Honduras	9.40%	5.60%
Nicaragua	5.80%	5.10%

*Unemployment, total (% of total labor force) (Modeled ILO estimate)

*International Labour Organization, ILOSTAT database. Data retrieved on June 15, 2021.

Source: https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS

Table 3. Central America: Poverty and Extreme Poverty Rates (in percentage) and Gini Coefficient, 2020.

Country	Percentage of Poverty	Percentage of Extreme Poverty	Gini Coefficient
Costa Rica	18.9	4.4	48.0
El Salvador	36.4	8.0	38.6
Guatemala	50.9	18.7	48.3
Honduras	58.6	26.1	52.1
Nicaragua	50.7	21.3	46.2
Panama	17.8	6.4	49.2

Source: Icefi based on ECLAL Stats.

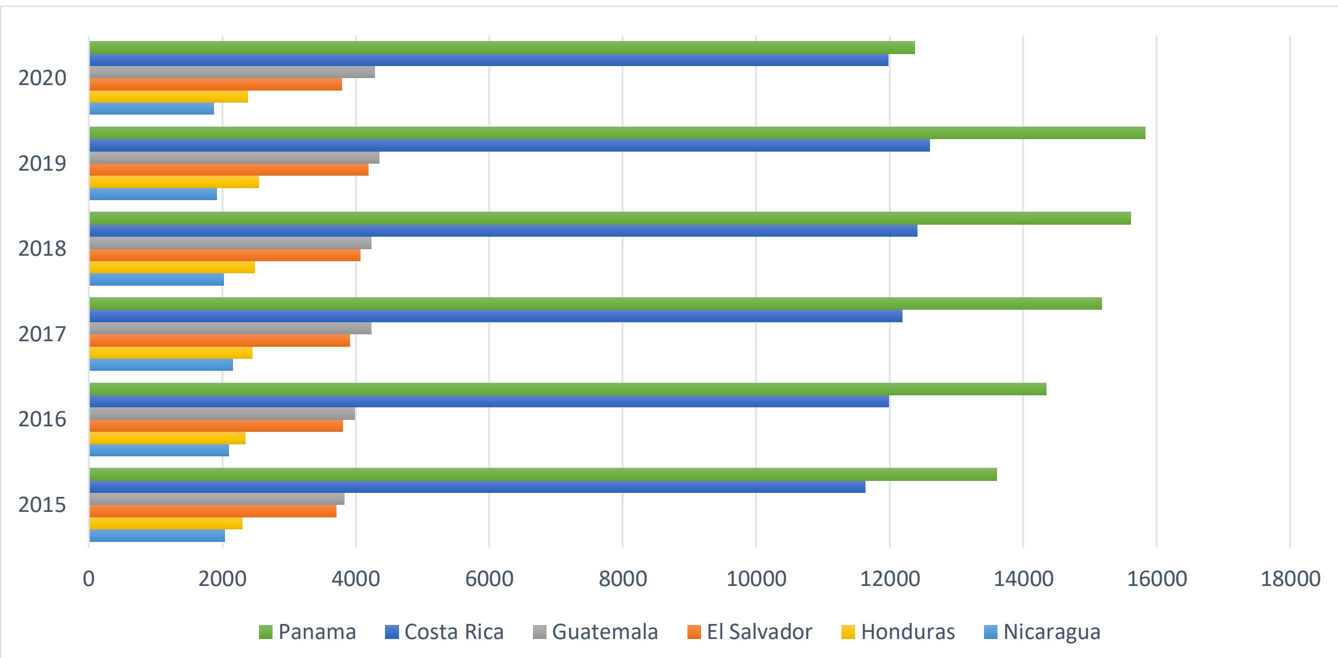
Table 4. Remittances to El Salvador, Guatemala and Honduras, 2019

Country	Volume growth	Transaction growth	Increase in transactions	Migration increase
Guatemala	13.1%	4.3%	63,256	32,218
El Salvador	3.3%	4.9%	62,381	26,843
Honduras	14.0%	8.8%	68,647	19,153
All three countries			194,284[a]	78,214

Source: Central Bank data; Orozco's estimates on migration.

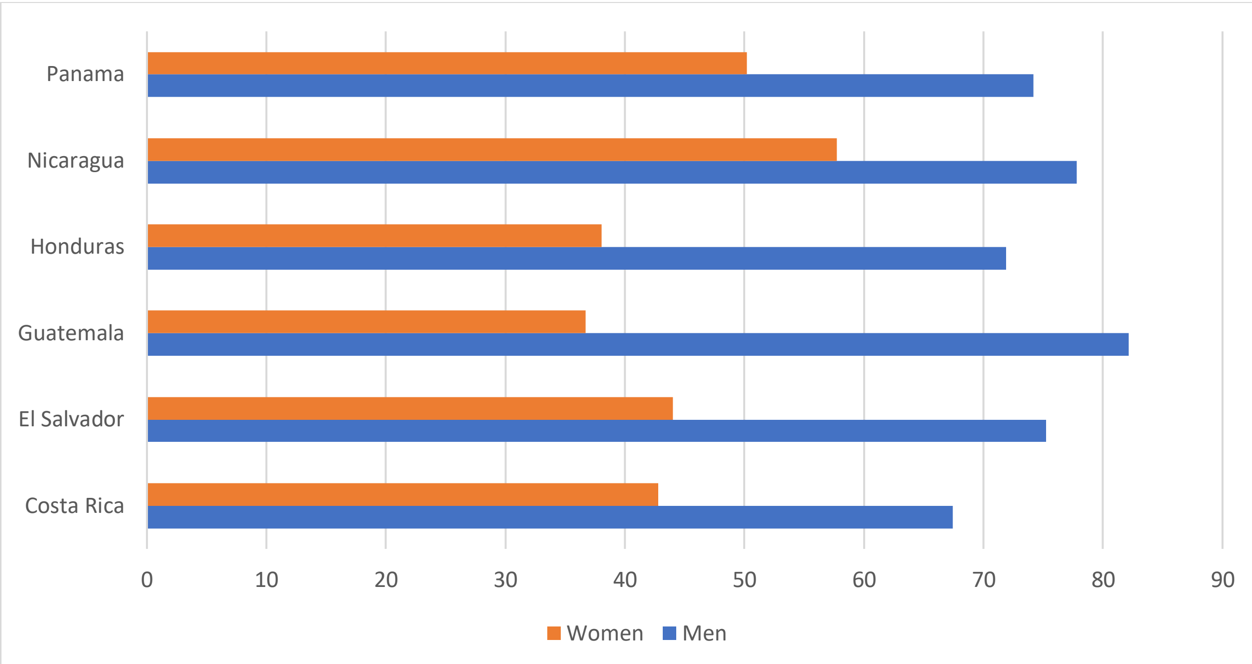
[a] We estimated 75% out of 114,070 as individual p2p transactions, accounting for the increases in the frequency remitted.

Figure 1. Central America: Per capita GDP by Country (2015-2020, in dollars at current prices)



Source: International Monetary Fund

Figure 2. Central America: Labor Participation Rate by Gender and Country, 2019 (in percentage)



Source: ICEFI based on ECLAC Statistics

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