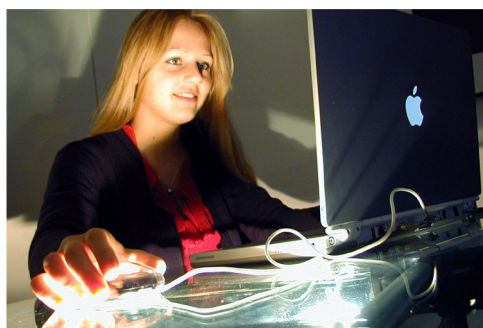


Economic potential of remittances from Peruvians in Italy



Elisenda Estruch Puertas

CeSPI

August 1st, 2006

CeSPI

Centro Studi di Politica Internazionale

Potencialidades económicas de la remesas de los peruanos en Italia

Elisenda Estruch Puertas

Lima, 1 Agosto 2006

Structure of the Presentation

1. Remittance Flows of Peruvians in Italy
2. Expected Impacts and Current Remittance Channels
3. Proposals for the Channeling and Optimization of Remittances for the development of Peru – CeSPI's Feasibility Study for the MIF/IDB

Remittance Flows to Peru

With more than **53,6 Billions US\$** of remittances received, **Latin American and Caribbean** region is both the fastest growing and highest volume remittance market in the world.



Total Remittance Flows to Peru:
2.495 Million US\$ (*MIF/IDB, 2005*)

Remittance Flows from ITALY to PERU:
39,815 Million Euro in 2005 (*UIC, 2006*)
→ Approx. 1,5% of total flows to Peru!
→ Upwards trend (31.227 Million Euro in 2004)

Underestimation of remittance flows in official statistics.

- Non inclusion of certain channels (post services, informal channels or more innovative instruments, such as pre-paid cards)
- Statistical methodologies do not allow to compare or to disaggregate by channels or destinations/origins.



In view of these aggregate flows we can expect a significant impact of Remittances on the development of Peru...

MACROECONOMIC LEVEL

→ Remittances flows to Peru: 3,2% of GDP

Remittances as compared to: (% of)

- Official Development Assistance (ODA) = 279%
- Foreign Direct Investment (FDI) = 117%

(IADB, 2004)

MICROECONOMIC LEVEL

→ Average monthly remittance: US\$ 166 (Bendixem Survey, 2005)

- Minimum wage: approx US\$ 150
- Public Social Expenditure per person: US\$ 170

(CEPAL, 2004)

How are remittances channeled?

MAIN REMITTANCE CHANNELS

- International transfers through bank system
- *Money Transfer Operators*
- Informal couriers
- Post Services
- Other (pre paid cards)

CURRENT SITUATION

- Increased competition in the remittance market has improved the channeling (reduced transaction costs over time, formalization)
- **BUT**, we still observe:
 - Relatively high transfer fees
 - No control of the final use of the money by the Peruvian migrant
 - No impact on productive activities, such as SMEs (which are generally identified as sources of local development)
 - Flows do not enter financial system: No financial leverage



**NOT FULL REALISATION OF MULTIPLIER EFFECTS
OF REMITTANCES AS SOURCE FOR DEVELOPMENT**

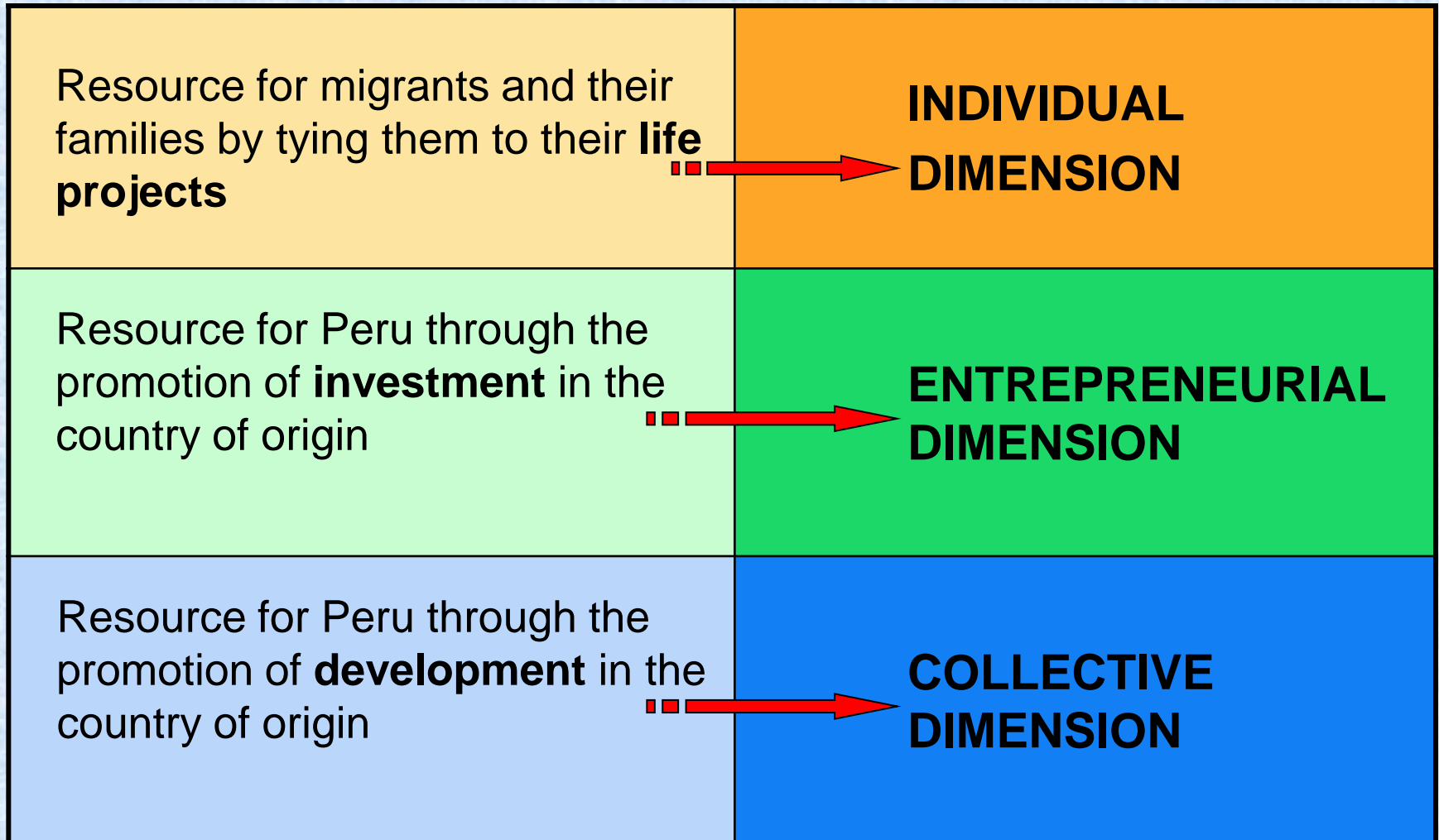
CeSPI Feasibility Study for the Optimisation of the Resources Transferred from the Peruvian Diaspora in Italy



OBJECTIVE

Identify potential areas where remittances transferred by Peruvians in Italy can be transformed into effective means for social cohesion and local development

Potentials of Remittances



PROPOSALS: *Individual Dimension*

OBJECTIVES

- Reduction of Transaction Costs
- Increased Transparency
- Enable ownership of remittances (through funds for education of children, for health expenses of elder relatives)



PROPOSAL

Increase range of bank products and services to enhance use of banking system to transfer money to Peru



INSTRUMENTS

- Pre-paid cards
- “Twin” current accounts
- Saving schemes
- (Bank to bank bilateral agreements)

PROPOSALS: *Entrepreneurial Dimension*

OBJECTIVE

- Entrepreneurial experience and resources from Peruvians in Italy serve to promote transnational activities with the country of origin (investment, commercial relationships, know-how and technology transfer, etc)



PROPOSAL

Promotion of Cooperatives in sectors with highest potential at transnational level (Alpaca, Eco tourism, Peruvian folklore and cuisine)



INSTRUMENTS

Support from Italian Federations of Cooperatives and Peruvian associations for:

- Technical Assistance and Promotion of entrepreneurial skills and cooperative movement
- Improved Access to Capital and Commercial Distribution of products

PROPOSALS: *Collective Dimension*

OBJECTIVE

- Develop solidarity-based initiatives that contribute to the social cohesion and local development of Peru



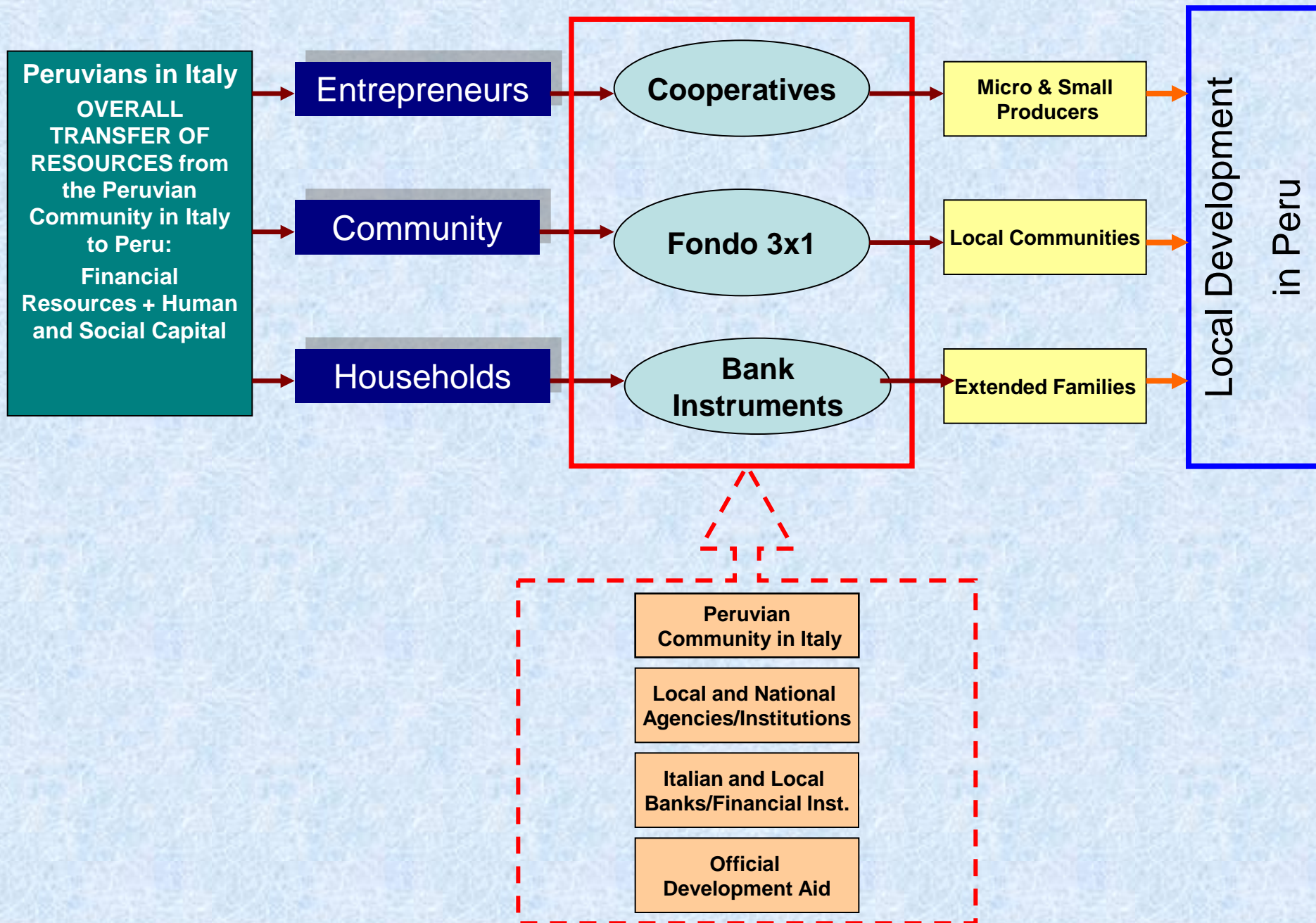
PROPOSAL

“3x1 Andino”: through which the diaspora contributes with one euro that is multiplied by other participant entities



INSTRUMENTS/ACTORS

- Public-private-third sector partnership to support the launch of solidarity projects with a sustainable impact on development
 - NGOs, Banks, Local Municipalities (Italian/Peruvian)



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Gracias

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