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**Entrepreneurial remittances for development,
the case of Latin America
How to foster the virtuous relation between remittances and
International Trade & FDI**

Isabella Corvino

Marzo 2011

ABSTRACT

This article has the aim to analyze how the migration phenomenon could interact with the International Trade and Foreign Direct Investment.

Migrants entrepreneurs are promoters of trade and investment impacting on territorial development of the countries of origin. The value of his entrepreneurial role is directly proportional to their capacity to enhance the value of remittances and to mobilise competences and know how resources.

The capacity to mobilize development resources needs the support of policies and institutional framework, a further driver to improve the development impact of migrant entrepreneurship is the territorial concentration of their initiatives. This nexus create a favourable development environment.

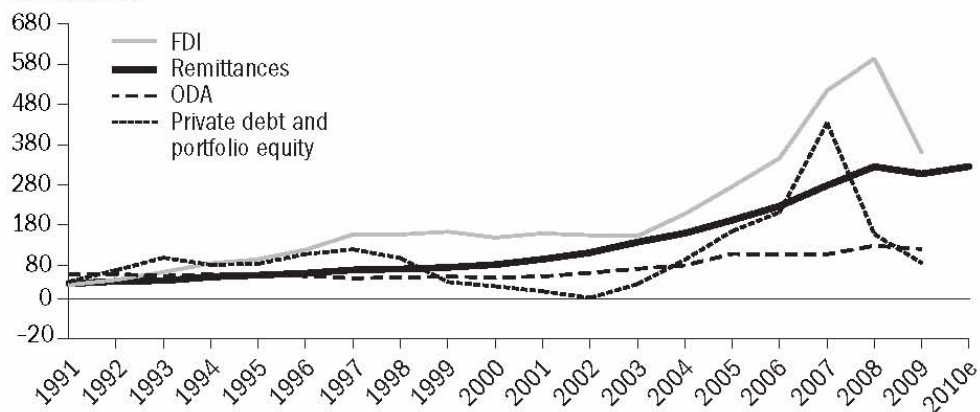
The Public Private Partnership for development are the ideal base to make sustainable the transnational enterprise of migrants and to maximize its effects would be interesting to considerate the creation of clusters of migrants' enterprises. This mean provide the projects with more critical mass and more stability and sustainability.

During the past decades, international trade and investment have grown enormously most of all in developing countries. The reduction of transportation and communication costs and the growing number of international agreement minimizing the effect of formal barriers to trade and investments gave born to a new economic era. Migrants played a very important role in this new asset sending remittances, facilitating the route of goods and competences.

UN 2009 data affirms that more than 215 million persons (3% of world population) are living abroad and WB Migration & Remittances Factbook 2011 affirms that remittances to developing countries are tree times the ODA and the same of FDI. (WB preview that 325 billion dollars is the amount of remittances sent in the whole 2010).

Remittance Flows Are Large and Resilient

US\$ billions



Migration and remittances factbook 2011 : second edition, p. 17

Remittances are sent by the cumulated flows of migrants over the years, this makes remittances persistent over time. For this reason, only in case that new migration stops over a period of a decade or so, remittances may stop growing. In addition, as remittances are a small part of migrants' incomes, migrants continue to send remittances when affected by income shocks.

In this mark we have to recognize the great importance of remittances and the ability of the migrant to spare it and to make a decision about its different destination, as savings, investments or simply designated to consumes. WB asserts in 2005 report that remittances have a positive impact on development of receiving countries:

- they contribute to the formation of human capital (a common remittances receiver spends + 58% than a non receiving one¹);
- improve of health care;
- can be used to access to credit;
- the upgrading of quality in consumes contribute to the upgrading of life standards;
- fight poverty and as trickle down effect stimulate market and contribute to the creation of job demand and of course to the start up business investments.

Adams (2006) finds that households receiving internal and international remittances in Guatemala spend less of their incremental income on consumption than households without remittances².

¹ Data registred too in CeSPI researches: ABI-CeSPI: *Banche e nuovi italiani. I comportamenti finanziari degli immigrati*, a cura di José Luis Rhi-Sausi e Marco Zupi, Bancaria editrice, 2009.

² Adams, Richard H. 2006. "Remittances, Poverty, and Investment in Guatemala", in C. Ozden and M. Schiff (eds.), *International Migration, Remittances & the Brain Drain* (World Bank and Palgrave Macmillan), pp. 53-80.

Remittances are strictly bound and are traduced in consumes and investments in the countries of origin of migrants, for this motivation they can be an important financial lever for the development of third countries.

On the different scope remittances can have, we call it personal, collective or entrepreneurial, on this last one I will focus the analysis of this paper.

ENTREPRENEURIAL REMITTANCES AND MIGRANT ENTREPRENEURS

Entrepreneurial remittances are personal financial resources invested in economic activities, in the great part of the cases to create micro and family directed enterprises. To create an enterprise is a chance for the migrant to actuate a safety strategy that enhance his personal competences and social capital often not recognized abroad.

Entrepreneurs migrants in last years are more and more numerous but migrants entrepreneurship is as old as migration is. In every time the most enterprising subjects living in depressed area have had to move in search of more favourable situation to develop their activities. As remembered by migration historian as Bade there has never been economic, social, political or cultural development without the often crucial contribute of migrants élites. This process occurs more frequently in case of voluntary migration than in case of forced migration.

In some case the belonging of a migrants to a group that maintain high cohesion can be an important resource as all the group is in the position to contribute to the accumulation of “cultural capital” and to benefit of larger resources (Palidda³).

There are different kind of migrants entrepreneurs as noticed in CeSPI analysis in the IOM (International Organization for Migration) programmes MIDA (Migration for Development in Africa) and MIDLA (Migration for Development in Latin America).

- Some of migrants entrepreneurs are entrepreneurs “by default”. They are not following a natural vocation but they want to use they own competences like mean to get social mobility and an adequate payment for it . In this case it is a self occupation strategy that has positive repercussion on family stability.
- Some others are entrepreneurs by chance, as said by Schumpeter, “dispersed entrepreneurship is that function, whose essence lies in recognizing and carrying out new possibilities in the economic sphere”. (Schumpeter 1928: 483). According to this vision, an entrepreneur by occasion born if and when carries out new positive combinations of experience and conditions.
- In the last case, entrepreneurs by vocation for whom the migration experience is a step in implementing his project.

A very interesting aspect of the migrant entrepreneurs is the positive potential on development that they bring out taking advantage of their particular position in the *middle*, between the country of origin and the country in which they live. In this situation they can capitalize various good opportunities and give support to the implementation of a transnational initiative.

This scenario contains the favourable conditions to stimulated development in migrants’ countries of origin.

³ Palidda, S. *Immigrazione e imprenditorialita': un adattamento continuo*, <http://www.mi.camcom.it/upload/file/149/74820/FILENAME/palidda.pdf>

THE HALF WAY: THE MISSING RING

The role of migrant entrepreneurship in promoting development in their countries of origin is directly proportional to their capacity to enhance the value of remittances and to mobilise competences and know how resources. The development debate regarding this capacity issue shows for a first line of thought that as remittances are a private economic resources they have to express their potential on their own; for a second line of thought, even assuming remittances as private, is considered that the capacity to mobilize development resources needs the support of policies and institutional framework.

In Latin America a thesis does not exclude the other, but we register various public support actions to migrants' and migrants' families to channel and to increase the value of remittances. Countries like Mexico, Guatemala, El Salvador, Bolivia, Colombia, Ecuador and Peru launched programs and instruments to foster productive investments through the use of remittances. Unfortunately we have not a complete results mark about these experiences, even if in general terms we can affirm that the outcomes are not negatives in spite of the micro and fragmented dimensions.

A further driver to improve the development impact of migrant entrepreneurship is the territorial concentration of their initiatives. In some case, this concentration is a consequence of the proper migration chain; in many other cases, the concentration of the initiatives is the result of remittances attraction policies and stable economic conditions of the particular geographical areas.

The territorial concentration is just a condition to improve the role of migrant entrepreneurs, a crucial factor is the relationship (economic, social and cultural) between the territories and their institutions of origin and destinations. This nexus create a favourable development environment. This way the micro entrepreneurial projects of migrants are no more isolated and fragmented, but they are possibly involved in stronger value e productive chains.

These drivers and environment conditions allow migrants to experiment and participate in building a development framework that could be effective on a large scale and in two or more countries at the same time. In practice, we find ourselves on the half way. These network and these chains are missing connections between them.

THE ITALIAN -BOLIVIAN MIGRATION CHAIN⁴

A particularly interesting case of this migration and development approach is the Italian – Bolivian migration chain.

In this case we register a territorial concentration of migrants coming from the city of Cochabamba and settling in the city of Bergamo. Migration offered the occasion to set up a twinning cities and the two municipality designed a project of a twinned chamber of commerce to assist the creation of transnational enterprises that would involve the migrant families.

Twinned public structures would take care to stimulate the circulation of competences, know how and to permit a positive contamination and cross fertilization and would have the mean to support projects for development.

At the same time in Bolivia at a national level in the last years, stimulated by the remittances flows have been planned various initiatives, NGOs, Chamber of commerce and banks have planned business courses for migrants families for a productive utilisation of remittances. For example, the *Banco del Desarrollo Productivo* in two years already co-financed 12.000 micro enterprises.

⁴ Results showed in the analysis of the Italian – Bolivian case have been carried out during the 2009 – 2010 in the IOM programme MIDLA.

Formation in enterprise management, business plan creation and banking alphabetization have been crucial theme to create entrepreneurship.

These projects designed for migrants' families, beyond the aim of supporting the start up of new micro enterprises channelling remittances want to prevent migration or at least to reduce the number of potential migrants.

Analysing some initiatives of this case we register how the priority has been to give an appropriate professional formation to people (paying a particular attention to the migrants' family); to channel the new enterprises in the formal economy; to create positive opportunities for those commercial and productive sectors in which the connection between the two economics are more complementary.

Bolivian migrants micro projects are implemented in one of the two cities or in both. In any case, the great part of these micro enterprises are dedicated to the commerce of nostalgia goods or services like internet point, remittances sending and personal services.

NOSTALGIA GOODS, COMMERCE, TOURISM; CIRCULATION OF KNOW HOW AND TECHNOLOGY

Nostalgia and autochthonous goods play an important role to trigger transnational economic relations. On one side Bolivian migrants constitutes the first market of this good and in second place, these kind of products meet a new segment of market based in people looking for natural and traditional goods. This is the case for example of the quinoa grain, a very vegetal protein food produced for the most part in Bolivia. Interesting as well are the migrants initiatives to promote Bolivian eco-tourism with various routes in their place of origin.

Trough these micro initiatives it is facilitated the exchange of know how and technology as the quality standards required by an European consumer need product and process innovation (homogeneous quality level, standard packaging, product traceability). These market improvement could attract more investments in infrastructure and better education.

In this way foreign market stimulate the offer of territorial goods and have a direct impact on development process. We can say that to reach good standards to sell goods and services abroad, migrant have learnt the foreign way of doing commerce. The number of transnational initiatives stimulate research and improve enterprises performance. So we can resume that the migrants entrepreneurship create job and market opportunity through innovation; migrants investor create economic and social capital operating in global net. As effect, in migrants' country the public institutions are stimulating to program more policies to facilitate these entrepreneurial initiatives.

Circulation of know how and technology is crucial for those production that want to enlarge their market.

Of particular relevance is the position of Bolivian women in Italy. They are gaining a very important position like head of the "broken family" and new recognized breadwinner. Female migrants are 60% of total Bolivian migrants in Italy and is growing their entrepreneurial activities.

THE CHANCE: CIRCULAR MIGRATION, TRANSNATIONAL ENTERPRISE

Enterprise is seen by the great part of migrant as the principal instrument to implement social mobility as it allow them a faster economical and social integration and of course it has a positive repercussion on the migrant perception in his community.

Taking advantage of the particular position “in the middle” between the country of origin and the country in which he lives, the migrant can set up a transnational enterprise, acting concretely like a development agent and circular migrant facilitating the exchange of goods and competences.

The condition in which migrants entrepreneurs and remittances can be pivot of development starting with a transnational enterprise depends on the costs and opportunity, the differential of utilization of competences and economical resources. For a real implementation of this approach it depends very much on the availability of incentives and on the economic and political conditions of the country of origin.

The principal variables playing a role in the decision of making a transnational enterprise could be resumed in the following points:

- institutions supporting this kind of initiatives
- policies stimulating a favorable environment
- state of logistics and infrastructures
- market opportunities

The two sectors with a bigger potential for a transnational enterprise are:

- commerce of traditional and natural goods
- touristic services

Professional formation and support structure are necessary to actuate this plan and go through all obstacles of the entrepreneurial development.

Very important too is the role of the private stakeholders. Migrants entrepreneurs have to be part of the entrepreneurial milieu in both territories. This condition allows them to get support for their initiatives. The private institution are fundamental to create the intermediation with public institutions; to share commercial risks; to promote favourable business environment; and to support capital and human resources needs.

For this reasons the Public Private Partnership for development are the ideal base to make sustainable the transnational enterprise of migrants.

To maximize effects of the PPP it would be interesting to considerate the creation of clusters of migrants' enterprises. This mean provide the projects with more critical mass and more stability and sustainability.

For example in the case of a transnational touristic cluster project in Ecuador-Peru cross-border⁵, three Peruvian and Ecuadorian Associations of migrants in Italy and migrants' families gathered their efforts to promote a eco-touristic route in the small communities along the Puyango/Tumbes River. This cluster project was very appreciated by the local institutions (eleven municipalities signed a collaboration agreement with the associations) and it raised the interest of migrant and local entrepreneurs.

In the MIDLA project many other projects have been designed on a similar model: food commercial cluster; high quality art craft cluster; traditional goods commerce cluster. Entrepreneurs migrants and their families will have access to professional formation and training courses, and to professional consultancies and support. These Latin American migrants entrepreneurs belonging to clusters are distributed on various geographical areas in Italy, and their collaboration works like an advertisement the one for the other; migrants family in the countries of origin could have had the possibility to collaborate to a big project and not to a familiar initiative and for this to obtain assistance and credit access of private and public partners.

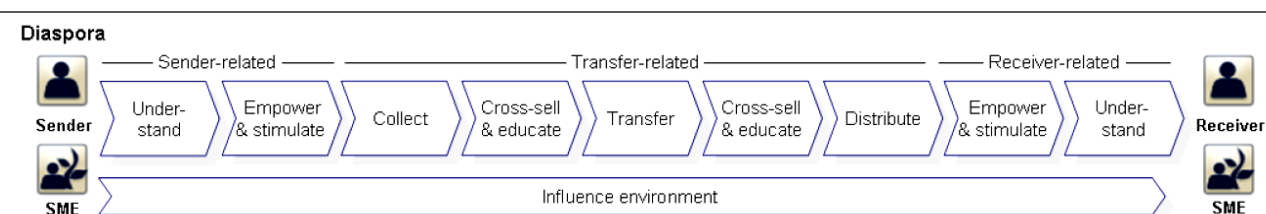
⁵ COPEI, ACOFAPE, ACOFAME, IILA-CeSPI Fronteras Abiertas, “Proyecto de co-desarrollo trasfronterizo Perú – Ecuador. Experimentación de Circuitos de Turismo Vivencial en las cuencas del Río Puyango/Tumbes y Zarumilla”, Octubre 2010 (www.copeitalia.org).

FINANCIAL INSTRUMENTS FOR MIGRATION AND DEVELOPMENT

Even if the percentage of Latin American migrants entrepreneurs in Italy is always growing we have to acknowledge that exist a problematic relation between them and the financial institutions: migrant entrepreneurs have little knowledge of the available financial instruments; little percentage of them have relation with banks, and just few of them have relation with more than one bank; access to credit is such difficult that migrants often choose to reduce the project size or to ask to family and friends the funds they need.

The cost of remittances sending, the weak relation between banks and migrants, the difficulties in accessing credits and information useful to set up an enterprise make very limited the employment of remittances with productive scope.

The following picture shows how remittance are funds in search of a enhancement in between of three dimensions, the first of the country of origin, the second of the transfer and the third of the country of residence. In each of these dimensions is possible to operate through strategies creating or enhancing its value.



Value Adding Remittance Services to expand the development potential of money transfer, GTZ 2009⁶

Valorization of remittances pass through the involvement of financial systems and it means: reduce remittances transfer costs; create new financial products; promote the channeling of savings through productive investments. Migrants financial needs cannot be linked just to the access to the credit but has to involve different aspects as consumer, saver and investor living in between of two countries and living apart of his family. It is necessary to improve transparency in remittances transfers, in this way CeSPI worked for the World Bank in setting a remittances comparative costs website (www.mandasoldiacasa.it).

The creation and development of adequate financial instruments for a good allocation of resources to realize the mobility of savings in between the two involved countries

FINAL REMARKS

This article try to enlighten on how the migration phenomenon could interact with the International Trade and Foreign Direct Investment. In particular, a particular attention was paid on the role of migrants entrepreneurs as promoter of trade and investment impacting on territorial development of the countries of origin, in spite of the micro dimension of their initiatives and projects.

The principal thesis is that the gathering micro initiatives in a systemic framework its possible to maximize the effect on development of the country of origin. Taking advantage of the strategic position in the middle of potential international economic relationship, the migrant entrepreneur can

⁶ Economic Development and Employment Division GTZ, *Transfer plus – Value-adding remittance services that expand the development potential of money transfer*, 2009.

promote his local economy abroad. To free this potential, the migrant, on one side dispose of personal financial resources, of competences improved during his staying abroad, and of a relationship system; and on the other side, he needs favorable environment; policies and instruments to support entrepreneurial initiatives and the chance to be inserted in the business communities. The most favorable institutional framework to provide these conditions is the Public Private Partnership. It remains particularly vulnerable the relationship between the migrant entrepreneur and the financial instruments.

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