



*Ministero dell'Economia e delle Finanze*

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*Dipartimento del Tesoro*

## **Italian Action Plan on remittances**

Over the last few years, remittance flows from Italy have significantly increased (6 bln euro in 2003) as a consequence of the dramatic increase in the number of immigrants, coming particularly from the Mediterranean area and the Balkans. Given the size and the importance of these capital flows, Italy will promptly undertake all the necessary actions in various areas to facilitate and improve efficiency of remittance transfers while promoting - as far as possible - a sustainable use of those resources for development purposes. This Action Plan indicates the key initiatives under three headings:

- Attracting immigrants' remittances into the official financial channels;
- Addressing statistical issues
- Encouraging the use of remittances as a tool for economic growth and development in countries of origin.

### **1. Attracting migrants' remittances into the official financial channels**

In Italy, migrants' demand for financial services varies for a number of ethnic, cultural and religious reasons, and is often influenced by immigrants' economic marginality in society. The dominance of "alternative" non-banking remittance channels, including money transfer agencies and the informal sector, is mainly attributable to their sheer number of offices distributed on a

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\* The document was prepared jointly with the Ministry of Foreign Affairs, the Bank of Italy and the *Ufficio Italiano Cambi*.

worldwide or regional scale, as well as to the shorter time required for them to complete the transfer of funds – not necessarily to a lower cost of service.

While the response of domestic banks has been so far rather cautious, an increasing attention is being paid by banks to the analysis of remittance flows. In addition banks' interest is growing in the definition of operational tools already devised by countries with greater immigration expertise. Some banks set specific programs up aimed at providing immigrants with basic banking services, and opened new dedicated branches.

***Actions:***

- The Bank of Italy will keep on sensitizing the banking system on this issue, mainly through the Italian Bankers' Association (ABI), which has *inter alia* sponsored the “Euromed Banking Conference” last April. This initiative was meant to analyze and deepen issues related to trade and payment systems between countries in the Mediterranean region;
- Among the operational tools that are already available and can be further enhanced, particular emphasis will be placed on the following: (a) agreements with local associations entrusted with the reception and integration of immigrants; (b) the development of banking relations specifically addressed to immigrants, aimed at the provision of a core set of simple services; (c) the development of user-oriented communication strategies targeted to immigrants, including the distribution of leaflets in their own language and the use of external advisors for relations with non-nationals; (d) the further development of electronic payment instruments;
- Promoting competition within the payment system through the improvement of pricing conditions applied in the provision of payment services as well as through the development of innovative

payment instruments that exploit well established, low-cost and easily accessible telecommunication networks (such as the Internet and telephone networks). This is also the case for payment cards. The development of such innovative instruments is key to reduce the cost of remittance services and enhance access to cost-efficient remittances services in both sending and receiving countries;

- The Bank of Italy is also open to consider ways to ensure greater access of money transfer agencies to payment systems, whenever this may improve the efficiency of the payment services provided.

## **2. Addressing statistical issues**

A better and deeper understanding of the remittances phenomenon as a whole is needed, especially with regard of those flows which are channelled through non-banking system. Currently, data on the access to financial services on the part of immigrants are not fully available, while a very large proportion of immigrants are known not to make use of financial services.

Since 2000, monitoring of money transfer agencies has been increased<sup>1</sup>, with special regard to transparency, risk-control and risk-limitation mechanisms, access criteria, pricing policies, and organizational structures. Money transfer institutions are also monitored, for AML/CFT purposes, by the Ufficio Italiano dei Cambi (UIC). In 2001 the UIC conducted a pilot survey aimed at monitoring remittance flows channeled through non banking financial system.

### ***Actions:***

- The Bank of Italy will deepen its monitoring activity on money transfer providers, and request more comprehensive, accurate, and

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<sup>1</sup> According to the European Directive EC/5/97.

internationally comparable data, with a view to gaining a better understanding of this segment of the payment industry;

- In the future, the UIC will repeat the survey on a regular basis, possibly extending its scope beyond the national context. Relevant data and methodologies could be shared with other countries' authorities and the issue could be discussed in the competent international fora;
- Italy is open to consider the proposal to establish, in cooperation with the IMF, World Bank, and the BIS, a statistical working group with the mandate to develop a consistent set of guidelines on the measurement of remittances, with special regard to those channeled through the informal sector;
- Italy is also promoting the idea of an internationally-coordinated survey aimed at getting more reliable and harmonized information on the pricing policies of money transfer institutions operating in different jurisdictions<sup>2</sup>.

### **3. Encouraging the use of remittances as a tool for economic growth and development in origin countries.**

It is also important to increase a profitable and sustainable use of remittance flows<sup>3</sup> by adopting ad hoc initiatives which can contribute to support development in countries of origin. Several initiatives have been already launched such as a pilot project on “microfinance–remittances”, financed by the region of Tuscany and managed by Microfinanza - and Cospe, respectively a consulting firm and a NGO. The project was focused on the remittances of immigrants from the rural province of Khénifra, Morocco,

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<sup>2</sup> A similar proposal was already discussed in 2002 within the Working Group on Retail Payment Systems at the BIS.

<sup>3</sup> Profit and/or welfare oriented strategies.

living in the town of Livorno and involved the Italian bank, Monte dei Paschi di Siena, as the collector of the remittances in Italy, and a Moroccan microfinance institution, as the distribution agent in Morocco. The International Organization for Migration (IOM) in association with the Italian Ministry of Foreign Affairs launched the pilot project “MIDA Italy” to assess the interest and potentialities of sub-Saharan Africa migrants who are willing to contribute to the social and economic development of their countries of origin.

### *Actions*

- Currently, in the framework of neighbourhood programme promoted by Europe, some Italian regions are in the process of identifying specific proposals on remittances and local development (e.g. Sicily is developing a project for the management of the remittances of Tunisian immigrants based in the region. This project should allow to develop an adequate service for the transfer of the remittances and to offer opportunities for a productive use of the savings of the immigrants through the creation of a development fund in Tunisia aimed to support the start-up of micro and small Tunisian or Italian- Tunisian enterprises. A similar programme is underway in the region of Puglia);
- Italy is ready to play a more substantial role as pathfinder in encouraging and consolidating the use of remittances as a tool for economic growth and development of origin countries.