

# **NATIONAL REMITTANCE PLAN 2015 ITALY**

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### Background

Italy has been a forerunner in enhancing the role of remittances as a crucial tool for both development in countries of origin and integration of migrant communities in Italy. It has also been one of the promoters of the efforts aimed at reducing the global average cost of remittances. This process reached a turning point during the G8 Italian Presidency in 2009, when Italy launched the “5 by 5” initiative to halve the costs of transferring remittances from 10% to 5% in 5 years. In 2014 the costs of remittances dipped at an average cost of 6.7%; moreover, considering the 14 most used Italian corridors, the average cost of transferring remittances now stands at 5.18%. Italy is currently the least expensive EU country in the G20 for remittance costs, according to the World Bank, and the sixth cheapest country among G20 sender countries.

### Main actions

- **International level:** Italy is a founding member of the **Global Remittances Working Group/GRWG** (based at the World Bank). Furthermore, as a public advocacy measure, in 2009 Italy organized the International Conference on Remittances, which adopted the Rome Roadmap for facilitating remittance flows. Its meetings provide a relevant discussion forum for any new approach in the field of remittances.
- **National level:** Italy has created an ad hoc **Working Group on Remittances**, in order to coordinate all remittance market stakeholders (Ministries, Agencies, postal services, banking sector, money transfer operators, NGOs).
- **Enhancing competition and transparency:** the independently-run italian website [www.mandasoldiacasa.it](http://www.mandasoldiacasa.it) compares remittance costs for most service providers. It is the first national website certified by the World Bank and a highly useful tool to monitor remittance sending costs in an independent and transparent way, helping migrants make an informed choice when sending back home their money at a reasonable cost.
- **Improving financial and remittances literacy:** Our country is engaged in promoting financial inclusion for migrants and their households at home. The outreach program **Greenback 2.0**, implemented by the World Bank in cooperation with the City of Turin and the Bank of Italy (Banca d'Italia), has encouraged financial literacy and access to technologically advanced tools among migrants.
- **Anti-Money Laundering/Counter-Finance Terrorism (AML/CFT) Regulation and Legislative and regulatory overview:** As an active member of the **Financial Action Task Force**, Italy has enacted all its recommendations. However, it is important to find a balance between

integrity of the financial system and financial inclusion, in order to avoid excluding legitimate businesses and consumers from the financial system.

Furthermore, Italy has enacted the **EU Payment Service Directive** (PSD) of 2007 (D. Lgs 11/2007). The Italian implementation of PSD1 is frequently considered best practice and has been also recommended in the report “EU Remittances for Developing Countries, Remaining Barriers, Challenges and Recommendations”. While most legislations allow controls only when transactions are both sent and received within the European Union (so-called “two-legged transactions”), the Italian regulation permits the authorities to also monitor those financial flows that are only partially localized in the EU (from a sending or a receiving perspective – so-called “one-legged transactions”).

### 2014 Call to Action on Remittances

Italian remittance costs continued their downward trend, going under 7% for the first time in Q2/2014. At the end of the year 2014 a 6.73% average cost was registered by the World Bank report on Remittances. Italy remains firmly in the group of sending countries whose costs are below the G8 average. The enhanced transparency of the Italian market and the inclusive approach of the markets diverse stakeholders contributed to this result.

### 2015 Country plan for reducing remittance transfer costs

The reduction in remittance costs to a level of at least 5% (and hopefully lower), even on a longer term basis, remains the paramount goal of Italian actions, but needs to be furthered and integrated with a more complex set of actions, aimed at improving and completing the target of facilitating remittance flows. To this end, the following actions would be considered:

#### 1. Increase Remittance Market Competitiveness

- a. **Propose a streamlining of procedures for small amount transfers**, thus cutting compliance and administrative costs, and therefore promoting use of official money transfer channels over the informal systems – the latter often being chosen in the light of procedures perceived as burdensome in regards to the small amount sent.
- b. **Advocating at the European as well as at the international level, harmonization of different regulatory standards.** In this context, the new EU Directive for Payment Services is expected to introduce improvements in market efficiency, transparency and competition.

#### 2. Improve Financial System Infrastructure and Pursue Policies Conducive to Harnessing Emerging Technologies

- a. **Promote new technologies and relevant remittance tools**, such as the use of *account-linked* transfers as a more direct way to provide funds for subsequent micro-investments, avoiding the consumption-only approach associated with cash transfers. As alternatives to cash, mobile, online and

card-based transfers could also be encouraged, in association with actions for improving the financial literacy of senders. Besides increased market efficiency and cost reduction, automated security checks and controls are increased by electronic platform access.

### **3. Other initiatives for further investigation**

- a. Promoting financial inclusion for migrants and their households at home. A significant example of this policy is the Italian-funded initiative “West Africa: Promoting sustainable land management in migration-prone areas through innovative financing mechanisms”, which aims at increasing investments to prevent land degradation and restore degraded lands in Burkina Faso, Niger and Senegal by using innovative financing mechanisms.
- b. Investigating the linkages between remittances and emergencies/natural disasters, using best practice and experiences of the past (when single-corridor zero-cost policies have been trialed by leading money transfer operators) and involving supranational institutions such as the World Bank in order to guarantee a level playing field for all the operators.