

IFAD project “SME: Support to Migrants’ Entrepreneurship”
Creating innovative facilities to support migrants economic initiatives in the countries of origin

Activity Report
"Structuring innovative financial tools for migrants"



Index:

1. Background information, specific needs addressed.
2. Methodology adopted for the development of new financial instruments.
3. Detailed description of provided financial instruments.
4. Reasons why IFAD contribution has been decisive for the realisation of envisaged tools.

1. Background information, specific needs addressed.

The amount and the importance of migrant remittances – the value of monetary transfers sent back by migrant resident workers to their countries of origin – are more and more increasing.

In 2005, the total value of official remittances worldwide was estimated by World Bank at USD 230 billion, involving some 188 million migrants. Official remittances received by developing and transition countries alone amounted to around USD 173 billion, representing a 8,1% increase since 2004 and a 79,3% increase since 2001.

Remittance funds are an important source of income to many families in recipients developing and transition countries and are used to fund a wide mix expenditure: they are most commonly used to cover day – to day- living expenses and cushion against emergencies, but also, in some case to fund small investments.

Since remittance constitute a largely untapped market for deposits, attracting them into formal transfer channels could potentially also attract greater share into saving and investments (as opposed to consumption), and contribute this way to the development of recipient countries.

On this point of view it is clear that focusing on the development of new starts-up and enterprises would represent one of the most effective way to contribute to the development of origin countries.

To reach this goal, a direct involvement of the financial sector, providing attractive and innovative financial services, is absolutely necessary. Moreover, attractive remittance flows into formal channels could also strengthen the financial systems in the recipients countries and generally reduce the risk of remittances being used for illicit purposes.

As far as the presence of immigrants is concerned, the most interesting for the scopes of the project is the Romanian one.

Around 2 million Romanians (out of a population of almost 22 million) are in fact working abroad, with Italy being the leading country of destination.

About the presence of the Romanians community in Veneto Region, according to ISTAT, with a total of 320.793 legally resident migrants on 31 December 2005 (an increase of 11,5% over the year before), the Veneto Region hosted 12,0% of the entire foreign population resident in Italy (second only to the Lombardy Region). Romania represented the second largest foreign

community in the Veneto Region by the end of 2005, with more than 43.000 legally resident migrants.

About remittances, Italy is nowadays one of the main remittance sender countries in the world. According to the Italian Foreign Exchange Office, official remittances from Italy amounted to EUR 2,4 billion in 2005, having increased with 15,8% from EUR 2,1 billion in 2004 and with 312% from EUR 588 million in 2000. The substantial growth of official remittance flows in recent years can primarily be ascribed to the significant increase in the numbers of migrants and especially of legal foreign residents.

In 2004, official remittance transfers to Romania totalled USD 132 million, about 2.0% of national GDP.

In per capital terms, official remittances amounted to an average of only USD 5,6 between 2000 and 2004. Over the same five years, the ratio of official remittances over ODA, FDI and exports averaged 21,8%, 8,2% and 0.7% respectively.

The Romanian community comprises 10,4% of the foreign population, but accounts for 16,9% of official remittances. The remittance per capita ratio for Romania, at EUR 1.644,00, is hence higher than the "general" one. Furthermore, the actual total flow of remittances (i.e., including also informal transfers) out of Italy could be double of official estimates.

As far as Romanian residents in Veneto are concerned, while the Romanian community represents 12,7% of the resident foreign population in the Veneto Region, a total of 19,3% of official remittance flows from the Veneto Region are destined for Romania.

As regarding transfer channels, both in terms of volume and the number of transaction, Italian banks play a fairly limited role in remittance market. In 2004, less than 10% of all formal remittance flows were transferred through the banks' own money transfer services (i.e., not including those transfers carried out on behalf of MTOs). Two reasons for why so little of the formal remittance transfers from Italy go through banks are the often cumbersome paperwork to open a bank account (including proof of legal status) and the generally slow transfer process.

Although the migrant population makes out a good portion of Italy's total population, it is not yet sufficiently integrated into the Italian Banking/financial system. A 1999 study showed that out of 1,7 million legal and illegal migrants in Italy, around 1,3 million (or three-quarters) did not have a bank account. With regard to legal migrants, only around one-third had a bank account and hence access to the banking system and its services (including remittance transfers).

Outcomes from the survey on migrant banking in Italy (with respondent banks accounting for 62,5% of the total number of Italian banks) show that only 34% respondent banks provide general financial services explicitly tailored to meet migrants' need and only 28% provide specific remittance services that are cheaper and/or with shorter execution time compared to other cross-border credit transfers.

In term of nationality, in 2003 Romanians accounted for 7,3% of migrants banks account holders. On the other hand, demand for financial services, other than just remittance transfer, on part of migrants in Italy is also increasing. For example, in 2004 credit (primarily related to housing and household durables) to migrants bank clients amounted to USD 6.1 billion, or around 5% of the total bank credit to households (compared to USD 1,7 billion in 2000).

It is clear that the use of financial channels by community of immigrants remains relatively low; to change the trend it is necessary to develop – in strong contact with the community of immigrants – an action which aims at raising awareness among immigrants about the benefits and chances offered by financial services; it is commonly know in fact that the low use of financial remittance transfer channel is determined especially in lack of trust in the financial system, both in sending and receiving countries.

The main objective of our participations of these project was to improve the remittance transmission in rural areas and create a new product to foster the remittances and to better respond to needs the immigrant giving them the possibility to access to the financial service. In order to reach our goal a fundamental role was played by our partner that first help us to understand the characteristics, the actual offer and the users' needs of remittance market between Romania and Italy and further help us to individuate the need of the immigrants that would like to go back to their country.

2. Methodology adopted for the development of new financial instruments.

In the beginning we cooperate with our project partners in order to define the needs of the target that we have chosen, basically we benefit of the skills of our partners in order to know better the phenomena of remittance in Romania, to get to know the entrepreneurship attitude in migrants and how to make migrant population able to efficiently use economic resources deriving from their work activity in Veneto, giving them the possibility to go back to their country and using their abroad work experience to create the bases for their coming back home.

This cooperation has as result the definition of the following specific products or actions:

- **Money4Family:** in order to aimed at erasing the cost of remittance flows from Italy to Romania;
- **Conto Senza Frontiere:** in order to aimed at erasing the cost of remittance flows from Italy to Romania and make become more accessible, especially from an economic point of view, to immigrants the basic financial service;
- **Sovvenzione Senza Frontiere** and **Mutuo Senza Frontiere:** in order to help immigrant to prepare their going back to their home country. The first one give to them found to start – up an activity and the second one give them the chance, even thought they still live in Italy, to by an house in Romania;
- **ATM:** we install four new ATM in an our branch in a rural areas (Suceava, Galati, Pitesti, Bacau), of course this project did not covered the total expanse.
- **My export Friends:** to advertise useful and detailed information about the country risk and the economic and financial situation in Romania and, of course, to advertise the products that we have develop.

In order to create these product we, as Veneto Banca, created a team work individuating the specialist able to create the right synergy and have all the competence to structured all products, considering that some of them simultaneously involved our banks in Romania and in Italy.

3 Detailed description of provided financial instruments.

Money4Family

Money4Family is a money transfers service that did not require for both sender and receiver to have an account.

Please see attachment "Analisi Money Transfer Gruppo Veneto Banca" to better understand the creation process of the product.

Characteristics:

- the service Money4Family is intended for natural persons who wish to transfer funds in EUR from Italy to Romania;
- the transfers may be ordered from any subsidiary of the Gruppo Veneto Banca banks;
- the beneficiaries of the funds transferred by the service Money4Family are Romanian citizens, exclusively natural persons, who do not hold an account;
- the beneficiary may dispose of transferred sum starting from the first working day after the date when the transfer was ordered;
- the maximum amount that can be transferred is 3098 EURO/day;
- the commissions related to the service Money4Family are charged to the person who orders such transfer and are collected at the moment of the order transfer;
- the transferred sum is withdrawn entirely in cash by the beneficiary, from the cashier's desks of the Bank from the entire territorial network.

Advantages:

- fast service for transfer of funds in EUR from Italy to Romania;
- economic service, with zero commissions for the transfer beneficiaries;
- the transferred sums can be withdrawn from any desk of the Bank.

Conto Senza Frontiere

The account Conto Senza Frontiere allows to transfer sums in lei and foreign currencies, with low costs, from Italy to Romania and vice versa.

Characteristics:

- it is offer to natural persons of Romanian citizenship;
- it facilitates the money transfers in lei and foreign currencies between Italy and Romania;
- the Borderless account may be associated with a VISA Classic International main debit/credit card;
- through your Borderless Account you can make the following operations:
 - cash deposit and withdrawal;
 - intra-banking payments;
 - domestic and international inter-banking payments;
 - debit/credit card feeding.
- You can make currency exchange operations and arbitrage.

Advantages:

- you do not pay any commission for account opening and annual management are lower than any other account;
- you give payment orders in foreign currency with zero (Italy)/low (Romania) commissions;
- you do not pay any commission for cash-ins and payments by payment orders handed in at the Bank counters.

Mutuo Senza Frontiere e Sovvenzione senza Frontiere

These two products are a “*transnational bank loan*”, addressed to Romanian national with authorized individual and legal status (or companies), presently resident in Italy but willing to invest in Romania. The loan Mutuo Senza Frontiere is structured for individuals, Romanian citizen that are willing to buy or renovate a house. The loan Sovvenzione Senza Frontiere will cover the purchase of working tools and materials or buildings for the purpose of an economic activity’s start-up. The beneficiaries will be able to raise a bank loan procedure in Italy, finalized at the realization of an economic activity in Romania, where a correspondent bank officer will take care of the after sale services, and will follow financial operations in the field, during the implementation of the starts-up. These transnational bank loans will be raised up to € 150.000,00 and will provide investors with very competitive rates of interest reducing the spread at lower rates, facilitating the investments and the development of economic activities in the Homeland.

See the attachment “Mutuo Senza Frontiere “ and “Sovvenzione Senza Frontiere”

4 Reasons why IFAD contribution has been decisive for the realisation of envisaged tools

Knowing of this project was the starting sparkle of the structuring and the creation of our innovative financial tools for migrants. As written in paragraph 2 what play a fundamental role was the cooperation with our partners and in fact what have made all this possible was the exchange of information, knowledge and input between our team project.

Basically the project was the idea. Since 2001, when Banca Italo Romena became a member of the Veneto Banca Group, it has adopted a certain model, based on a prudent and moderate growth, which provides a strong consolidation of the activity in each area where the agencies of the Group are present. BIR, following the headline of the entire Group, continues to plan its involvement in the local reality, by cultivating its relationships with the clientele and by constantly improving the quality of its services and products. Having the support of a Group like Veneto Banca is an important advantage for the Italian business community operating in Romania and it brings added value for the Romanian economic operators. Veneto Banca Group's mission is to be an innovative and autonomous group, a leader in its own territories, capable of providing a high quality of services and of generating value, ethically and responsibly, over the long term for its shareholders, customers and employees.

In fact in the past we, as Banca Italo Romena, have joined various project to help to develop Romania culturally and economically speaking, for these reason we decided to keep pursue this aptitude not only considering Romania, as nation, but as Romanians and in order to support them we jointed this project.

Of course structuring the products without the cooperation of our partners, it would have been impossible as written above; we cooperate with our project partners in order to define the needs of the target that we have chosen, basically we benefit of the skills of our partner in order to know better the phenomena of remittance in Romania, to get to know the entrepreneurship attitude in migrants and how to make migrant population able to efficiently use economic resources deriving from their work activity in Veneto, giving them the possibility to go back to their country and using their abroad work experience to create the base for their coming back home.