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Summary of the Conference on  
**REMITTANCES: AN OPPORTUNITY FOR GROWTH**  
The case of Albanian migrants to Italy  
Bari, 3<sup>rd</sup> and 4<sup>th</sup> of March 2006  
(Villa Carducci-Romanazzi)

During the Conference organized by Puglia Region and World Bank - held in Bari on 3<sup>rd</sup> and 4<sup>th</sup> of March - main relevant issues related to the remittances sent by Albanian migrants living in Italy to their relatives resident in Albania have been discussed.

The experiences presented during the Conference have substantially endorsed the analyses and recommendations contained in the World Bank study and in the Convergence proposals. Both can be summarized by the vision to have Albanian migrants make an increasing use of banking channels to send their remittances to allow Albania using such flows for domestic economic development and reducing the share of informal channels in the remittance flows.

Executive Summary

- Remittances represent a significant amount of financial flows that do not find an economic management
- Remittances should be transferred through formal channels away from informal ones
- Only bank services can allow remittances activate a virtuous circuit in the Albanian economy
- Migrants should be informed about bank services opportunities and banks should offer appropriate services
- Italian banks should improve basic bank services and lower their costs to meet the migrants requirements
- The Albanian bank community should improve the infrastructure and the services in order to capture the remittances flows
- The Italian and Albanian Governments, Central Banks and Banking Associations should set up a Strategic Committee and several Working groups to build a more coherent financial infrastructure linking the two countries.

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In his opening address, **Nichi Vendola, President of the Puglia Region**, took into consideration the social aspects of the Albanian migration to Italy and, particularly, to Puglia. He stressed the need that any possible effort should be made to allow all migrants to come out from their illegal conditions - not only in the migrants' interest but also in that of the Italian population – because of their very high costs for all interested parties of the present prevailing illegal situation. He also stated that economic and human resources Italy devotes to the migration problems should be better addressed to the improvement of migrants' social conditions rather than to security policies (e.g. police) in such a relevant magnitude (4/5 of the resources upon Caritas figures). This would allow migrants to better integrate themselves in the Italian social and working context and to contribute to their country of origin economic development.

A recent research conducted by Censis<sup>1</sup> states that “many foreign people coming from developing countries are, and will be in the near future, bearers of new lymph and relationship capability in terms of needs and services (not necessary with low value added) that market will have to satisfy,

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<sup>1</sup>Censis – [E-st@t](mailto:E-st@t) Gruppo Delta: “Immigrati e cittadinanza economica – Consumi e accesso al credito nell’Italia multietnica”, Abstract della ricerca, pag. 2, , Marzo 2006, in [www.censis.it](http://www.censis.it).



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and new consumption circuits” and also that “it is now the right time to open a debate that finally considers the foreign presence in Italy not only as a problem to be solved but also as an opportunity”.

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### **1. – The socio-economic context of Albanian migrants**

**Mr. Ardian Fullani, Governor of the Bank of Albania**, recalled that total remittances flows to Albania are increasingly important relative to other foreign exchange-earning activities, representing around 14 percent of GDP (70 percent of exports and 33 percent of imports). Remittances flows from Italy are particularly relevant, Italy being the major destination country for Albanians. At the same time, Albania is the number one recipient country in terms of remittance flows from Italy than other countries. Therefore, remittances services from Italy to Albania is a topic of great interest as it is the analysis of their effects on local communities together with the discussion of the ways of making these flows more efficient and less costly.

A recent survey of the Bank of Albania shows that remittances have become a critical source of income for households, although differently widespread among regions and social groups. Remittances are mostly used for imported consumer goods, services and for the purchase or construction of houses, while a small share of them is saved or invested in businesses, mainly in agricultural sector. Therefore, the impact of remittances in creating new jobs has been limited so far.

As a consequence, structural reforms are needed in order to spur a propensity to invest for both the foreign investors and, especially, the migrants and their families since they have a better knowledge of domestic market and they may quicker react within the investment decisions.

**Ilir Gedeshi, Albanian Economic and Social Studies Center**, in recalling that Albanian migrants mostly originate from the youngest part of the population, underlined the existing relationship, at least at the psychological level, between remittances and the expectation to be able to come back to Albania to enjoy the migrant incomes. It is evident that migrants returning in their country determine a reduction of remittances flows that, although considering the new migrant remittances, will tend to further reduce overtime.

In the opinion of **Representative of the Albanian Ministry of Labor**, the Albanian migration phenomenon is evolving in a positive pattern: it is not a security (or public order) problem anymore rather a problem of economic impact. Therefore the appropriate perspective is not only that of statistical nature but also the promotion of synergies between human resources and the economic development. At this regard it must be recalled that the processes are quite long, normally taking about 15 years for the migrants to be considered fully integrated in the social and economic reality of the host country. Moreover, the majority of the migrants wishes to go back in their native country<sup>2</sup> and the remittances, and the job that generates them, will be considered a key of success only if they allow migrants to go back to their country and to make investments.

**Giuseppe Cuccurese, Banca San Paolo IMI**, pointed out that Albanian migrant population in Italy may be still discriminated since language and cultural differences create difficulties to Italian population in treating migrants. From the use of banking and financial services and remittances point of view, the final objective of the migrant integration within the Italian context should be to

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<sup>2</sup> According to Censis-Gruppo Delta Report, 58 percent of migrants foresees to stay longtime in Italy.



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recognize them the same opportunities the Italian customers have. In this latter regard, it has been observed that the improvement of the economic and financial relationship with migrants should constitute a specific interest of the economic operators in general, and of banks and other financial intermediaries in particular; therefore, banks should not only envisage business area but take care of social problems too.

*The reference to the social context seems quite strong being that banks mainly, if not exclusively, have a profit objective. However, it may be recalled that the statute of many Italian banks, at least that of cooperative banks, foresees that their activities must be devoted to improve social and economic conditions of the territory in which they operate, without reference to specific nationality.*

## **2. – Economic and financial data of the Albanian migrants and remittances flows from Italy**

**Raul Hernandez-Coss, World Bank**, presented the research “The Italy-Albania Remittance Corridor”<sup>3</sup> focusing on the dimensions and the related relevance of the remittances for the Italian economy. Remittances of the migrants leaving and working in Italy originate very relevant financial flows: Italy is the 8th largest source country of remittances and 6<sup>th</sup> largest in Europe. In 2004 remittances outflows amounted to US\$ 4.7 billion.

As far as Albanian migration is concerned, the research shows that 25 percent of Albanian citizens, and 35 per cent of Albanian workforce, live abroad. In 2004, remittances inflows amounted to US\$1 billion, 30 percent of which from Italy. On the basis of the results of a recent Bank of Albania survey, the study also confirmed that remittances are mainly used to finance the families needs, to improve the living standard and furnish home; only 22 per cent of the remittances are devoted to saving and investment purposes<sup>4</sup>.

The WB study illustrates the main features of the Italy-Albania remittances corridor emphasizing that: physical transfer of cash (by migrants themselves or their parents or friends), is the most popular method used to send remittances to Albania, covering the 59 per cent of total flows; the 32 per cent are sent by the MTOs (which dominate formal transfers) and the 9% by banks. It also identifies several factors limiting the resort to the formal remittance market, among which: the constraints to access to the Italian banking services for irregular migrants, the lack of confidence in the Albanian banking system<sup>5</sup> and the limited interest of Italian and Albanian banks in the remittances services as compared to other services (consumer loans, mortgages or the other types of retail banking) considered more profitable than remittances.

**Convergence**<sup>6</sup> distributed to the Conference participants a study on “Albanian migrants’ remittances from Italy – Key issues and proposed policy actions” with the aim to further contributing to the knowledge of the migrants social-economic conditions, those of their families and the existing relationships between migrants, their families and the remittances. It also helps to focus the main factors that should be considered in making the action plan to rationalize the remittances market and to improve its impact on the Albanian economy.

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<sup>3</sup> The World Bank research has been made by Raul Hernandez-Coss and José De Luna Martinez.

<sup>4</sup> The Censis-Gruppo Delta Report presents a distribution of the economic resources of migrants in Italy. It shows that they are devoted to: board and lodging expense in the 47 per cent of cases, current expenditures (e.g. clothing, transportation, education) in the 24 per cent, remittances in the 14 per cent and saving in the 15 per cent

<sup>5</sup> The lack of confidence is a consequence of many factors among which: the low degree of bancarisation, the limited number of bank branches and ATMs over the country, payment services still inefficient.

<sup>6</sup> Convergence is a program for the development of the financial sector in South-Eastern European countries sponsored by World Bank and financed by Italian Ministry of Economy.



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The first part of the study is devoted to the social-economic features. The analysis, which enters in a deeper detail than the World Bank ones, focuses on the specific aspects of the Albanian migrants to Italy more related to the remittances services. Special attention is paid on the fact that Albanian migrants vis-à-vis other immigrants to Italy mainly work as employees with firms rather than as household helpers. As a consequence, they tend to be less urban and more rural than other migrants. As far as the Albanian migrants' propensity to stay in Italy, the study evidences that this propensity is higher, as compared to that of other migrants, for skilled Albanians. The latter also show a lower propensity to send higher amounts remittances home. This tendency has negative impact on Albanian economic development since it denies the business environment from the contribution of workers that could better sustain Albanian economic growth.

In sharing the view that measures aimed at moving as much as remittance possible flows from informal to formal channels should be adopted, the study analyses the potential advantages of such a move in terms of: improving anti money laundering action; enhancing remittances by substantially slashing the transaction costs. These advantages result from the use of banking services and payment systems that allow relevant economy of scale but also from the fact that these services/systems are more reliable; they also allow the migrants savings to be more profitable in time being the remittances are transferred.

Moreover, the move to banking channels helps to create optimistic expectations on the Albanian business climate and reduce the risk that large savings are inefficiently hoarded rather than channelled to their best economic and financial use. The study also emphasizes the important role of the Albanian authorities in facilitating the development of reliable channels for remittances regulated by market rules. This engagement should give a very important signal for Albanian migrants of the actual commitment in developing the Albanian financial system along a path that normally entails the related engagement in strengthening free market. The Authorities commitment and the associated expectation of an effective development of Albanian financial services can boost the inclination of skilled migrants to return home, thus gathering the economic development.

In his intervention, **Luigi Passamonti, Convergence**, in summing up the results of the economic and financial analysis presented, emphasized that they bring to the conclusion that, on the basis of the estimated total annual income of Albanian workers in Italy of EUR 2.5 billion, remittance flow sent from the same migrants to Albania amount to EUR 260 million. These results clearly show the potential benefits associated with the supply to Albanian migrants and their families of those banking and financial services that they presently do not or cannot use.

He recalled that remittances are transferred from Italy to Albania by the same migrants, or their relatives in the 60 per cent of the cases, by money transfer operators in 30 per cent of the cases and by banks in the remaining 10 per cent. The implications of these results are:

- For Italy: a) lack of use in the earning power as a lever for access to financial products; b) high remittances transfer costs; c) risks associated to non banking transactions;
- In Albania: a) immediate consumption bias for remittances; b) high cash levels of Albanian economy; c) lack of pooling ability by banking sector that hampers investment financing.

These developments have negative impacts for banks, both for Italy and Albania, in terms of loss of relevant business opportunities, and for the overall Albanian economy. For banks it has been possibly estimated in about EUR 150 million the foregone transaction revenues from non bank intermediate remittances over a 5-year span.

As a consequence, a problem of growth of the banking intermediation in cross border remittances emerges. It calls for an appropriate coordination in public and private actions, in Italy and in Albania, aimed at creating a compatible financial infrastructure.



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To summing up, virtuous behaviours for eliminate or reducing negative impacts of the present situation should be:

**On Italian side**

- to induce migrants to use banks for remittances
- to supply banking services/product adequate to migrants' needs

**On Albanian side**

- to promote the reception of remittances at banks
- to incentivate the return to home of skilled migrants wishing to start a business.

**On both sides**

- to realize an Italy-Albany corridor.

### **3. How to fully exploit the remittances economic potential**

#### Proposals for intervention

The first proposal has been made by **Massimo Cirasino, World Bank**, who presented the “WB-CPSS General Principles on International Remittance Services” (hereafter GPs) contained in a Report developed by a Task Force to which participated Central Banks, international institutions and organizations.

From a conceptual point of view, the work of the Task Force has paved the way for the identification of possible actions to be undertaken to rationalize remittance services in describing key features and functions that should be satisfied by remittance systems, providers and financial intermediaries. The GPs are clear and universally applicable international standards, their main task being to identify the main characteristics of sending and receiving remittances and the related infrastructures.

Starting from the key idea that remittance services are part of the broader retail payment systems – both domestic and cross-border, the GPs are aimed at the public policy objectives of achieving safe and efficient international remittance service. To this end, the markets for remittances services should be contestable, transparent, accessible and sound.

The GPs are the follows:

- *GP I Transparency and Consumer Protection*: The market for remittance services should be transparent and have adequate consumer protection.
- *GP II Payment system infrastructure*: Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged.
- *GP III Legal and regulatory environment*: Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework in relevant jurisdictions.
- *GP IV Market structure and competition*: Competitive market conditions, including appropriate access to domestic payments infrastructures, should be fostered in the remittance industry.
- *GP V Governance and risk management*: Remittance services should be supported by appropriate governance and risk management practices.



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Roles of services actors:

- *Role A. The role of remittance service providers:* Remittance service providers should participate actively in the implementation of the GPs.
- *Role B. The role of public authorities:* Public authorities should evaluate what action to take to achieve the public policy objectives through implementation of the GPs.

**Latifah Merican Cheong, World Bank**, illustrated the main strategies to be adopted to maximize the economic impact of remittances and ensuring their integrity. As regards to consumers needs, it is important to disseminate information to senders and beneficiaries and to promote education on remittance services in order to maximize impact on beneficiary.

The integrity and the regulation of the remittance services can be insured through the adoption of incentives to use of formal channels by migrants and of a risk-based regulation that facilitate access at reasonable costs. Other measures include those related to Anti-Money Laundering and Combating the Financing of Terrorism.

Finally, as regards to the aim of increase access and reduce costs, policies aiming at leveraging on payment system technology, to increase competition (new services providers vs. banks), to facilitate alliances, domestic and cross-border cooperation on infrastructure for remittances should be adopted.

**Raul Hernandez-Coss, World Bank**, presented proposals of intervention formulated within the WB study on “The Italy-Albania Remittance Corridor” whose task was to increase collaboration between Italian and Albanian Authorities to promote the use of “formal” channels for remittance transfers by strengthening the institutional framework and exploring the possibility for setting pension agreements.

The WB study also spurs the promotion of access to finance in both Italy and Albania by encouraging electronic transfers of migrants’ salaries, developing SMEs financing for migrant workers, developing financial products for senders and recipients, combining remittance transfers with consumer lending products and, enhancing capacity of postal offices to provide financial services.

The concluding proposals concern the need to improve the migrants knowledge about the financial services, through pre-departure programs with financial literacy components and promoting the financial education for ethnic communities and the use of formal money transfer services.

**Convergence** study also advances some proposals of action, in some cases coinciding with those already presented (Latifah Merican Cheong e Raul Hernandez-Coss), while stressing that political and regulatory Authorities can play a key role to help Italy-Albania remittance flows to emerge from informal to official channels. These authorities should have a strong interest in fostering this evolution but, to be effective, they should pursue it by gathering around the table also the main private stakeholders.

Governments on both sides are convinced that the emerging of the formal channels for the remittances will enhance their impact on the economy by: (a) substantially slashing the transactions costs involved in sending them; (b) reducing the risk that large savings are inefficiently hoarded, either at origin or destination; (c) helping mold optimistic expectations on the Albanian business climate and, through this, also boosting the inclination of skilled migrants to return home, thus gathering the ingredients for a promising economic takeoff. In summing up, attracting remittances to official channels is not only a value per se but it may be part of a wider program to promote the free market economy. As such, this move could convince also (some of) the skilled Albanian



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migrants to wish to return to the home country, taking with themselves human capital, entrepreneurial knowledge and, possibly, valuable business contacts abroad.

A stronger bilateral cooperation between the two governments demands that also the two countries' central banks play their role to bridge from national to European level payments system. Beside AML worries, for Bank of Albania the size of the remittance flows is a preoccupation for monetary policy and exchange rate management as the informal channels prevalently followed by remittances make the inflow of hard currency mostly unobservable and hardly predictable. Thus, attracting remittances into official channels will improve the ability of the Bank of Albania to implement and assess its monetary policy and exchange rate stance.

Turning to the private sector, the primary agents with an interest in the remittance flows are financial intermediaries. As a leverage and virtuous triggering action, remittances being channeled through banks can be the track around which the typical product bundle for employees, which are customers of Italian banks, can be exported into Albanian banks, including consumer protection features.

Other interested agents should be the Money Transfer Organizations and, given the rural dimension of the Albanian migrants and their families, the Postal System and the Rural Credit Cooperatives (Banche di Credito Cooperativo).

Italy's experience, with its impressive and rapid improvement of the payment system, can be useful for Albania also in terms of the positive results of the strong cooperation between the Bank of Italy and the Italian Banking Association. It was through this close collaboration that Italy was able to quickly progress from an archaic payment system to a profitable one that has become a role model with advanced technology. Such close collaboration could be a fundamental ingredient today for Albania to make an analogous leap from a primitive to an advanced payment system.

A part of the above already mentioned proposals, Convergence study advances proposals that, starting from the Key Recommendations and Action Plan put forward by the WB study, can be defined as institutional and technical nature, both of them calling for the setting up of a high-level body able to formulate an overall strategy and monitor its implementation. It would thus be desirable to set up a Strategic Committee (SC) Italy-Albania with the mission of endorsement and high coordination of the actions to be undertaken with the ultimate objective of transferring the bulk of remittances from informal to formal channels. This proposal aims to create a table where the appropriate actors – endowed with the power to take initiative and to monitor its implementation – select the actions to promote the desired evolution in the market for remittances as well as its business practice, balancing the profit motive with more general needs of the Albanian economy. Government Authorities, Central Banks and National Banking Associations should be the principal actors of the SC.

Other institutional proposals include:

- The launch of an Assessment of International Remittances Services (IRS) between Italy and Albania, according to the methodology of the WB-CPSS General Principles on international remittances services.
- A campaign to promote the use of formal transfer systems and enhance consumer protection.
- The strengthening of the institutional framework for remittance transfers and increasing coordination among domestic agencies involved in remittances.
- The payment of salaries of migrant workers through bank institutions.
- The development of transfer and dual cards, cellular phone remittance platforms, and remittance transfer through the postal office.



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- The development of the postal office as an agent for financial services to remittance senders and receivers.
- Actions to promote the setting up of an Albanian inter-bank body in order to study the bank and inter-bank automation.

The above described proposals need to be sustained by specific actions, e.g. those aimed at: i) promoting current account bank payments to attract remittances via credit transfers; ii) in Italy, modelling specific bank services for the migrants and improving the relationship between Italian and Albanian banks as far as the clearing and settlement systems are concerned; iii) in Albania promoting a credit transfer faster execution.

**Governor Fullani** illustrated some of the measures aiming to improve business environment promoted by Bank of Albania in cooperation with other governmental and non-governmental institutions after the recent signing with the EU of the Stabilization and Association Agreement.

First of all, strong efforts are underway – in cooperation with Italy and Greece and on the basis of the methodology defined in line with IMF international standards - in order to improve statistics on remittances. The information on the phenomenon remains critical for the assessment of policies which directly impact the developing role of remittances in the economy but also for improving financial infrastructures.

Secondly, Bank of Albania is examining the possibilities to lower the transfer costs through broader bilateral agreements between the two most interested countries (Italy and Greece) since formalizing the inflow of remittances is a very important moment. The high flow of remittances to Albania channelled through unofficial sources<sup>7</sup> is partially the reflection of the short geographical distance between the two countries. It also depends by the fact that formal channels present many aspects to be improved make them more attractive in term of efficiency, safety, cost and anonymity. Moreover, while emigrants in Italy have a high banking utilization rate - more than 50 per cent have bank accounts - on the Albanian side this figure drops to less than 20 per cent despite the considerable geographical expansion of commercial banks in recent years. However, there are encouraging signals by banks to consider remittances a business opportunity and, to this end, to adopt an innovative pricing policy<sup>8</sup>. This is why Bank of Albania is now engaged in promoting cross border agreements aiming to reduce transfer costs.

In Governor Fullani's opinion the physical transfer of cash is more a regulatory problem rather than the preference of emigrants to go to formal. In other terms, Bank of Albania fully supports regulatory or technical interventions aiming to stimulate, or even force, the payment of salaries on bank accounts as it has been already made for public salaries and, at the same time, to discourage cash payments at the most is possible. Of course, it should not be undervalued migrants resistances, and especially those of their relatives, in opening accounts at higher costs than those of physical transportation beginning from those associated with the fulfilment of exchange rate control or anti-money laundering legislation. It is however true that "forcing" individuals to get into formal channels for remittances is a major component of improving business environment in Albania of which both migrants and foreign investors can benefit.

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<sup>7</sup> Albanian surveys show that the bulk of remittances are physically brought to Albania by the emigrants (59 per cent), friends and relatives (23 per cent).

<sup>8</sup> There is already an Albanian commercial bank which offers transfers from Italy to Albania without charging any fee for amounts up to 250 euros a day when the average monthly delivery of emigrants usually ranges from 100 to 150 euros.



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As for recipient families and their concrete possibility of receiving remittances, banks have now to be confronted with the new challenge to allow recipients to receive remittances at banks branches, credited on a bank account or paid by cash, or to pick them up in offices operating in addition to bank branches and on their behalf, like it is already supplied by some money market operators.

*In Italy, until the implementation of a widespread bank branches dislocation, a so called “banking agents” operated, generally natural persons provided with an office located in small villages where they supplied elementary banking operations - the most common of which being the withdraws and deposits - to customers holding current accounts or saving deposits at the bank on the behalf of which the agent operated. With this practice banks avoided to support branches costs while offering essential services. This experience could be replicated in Albania also exploiting possible solutions today offered by the technological innovation.*

Channelling remittances through the banking system will constitute an entry point for many remitters and their families to any other (value added) banking service, from banking accounts to the banking loans, among the latter micro credits in particular. This process has to be sustained by a wider use of new technologies in order to foster higher efficiency levels and, at the same time, to reduce the investment costs for the bank services supply.

The Bank of Albania is also engaged in the promotion of any action able to channel the remittances toward country’s development needs. The formalization is a necessary step but not a sufficient one. It is in fact necessary that the Albanian banks, but also the foreign ones, become as aggressive as their Italian counterparts in competing for this pool of savings sooner rather than later, as testified by the recent Italian banks entry in the Albanian financial market.

Finally, it has been mentioned a recent government initiative to offer to emigrants the opportunity to return and invest in their country by enjoying a three year exemption from the profit an personal income taxes.

**Steven Grunerud, Raffeisen Bank**, recognized that Albanian banks are now in a study phase of the remittances, phenomenon until recently considered of secondary importance from the business perspective. He also recalled that Raffeisen Bank concluded agreements with three Italian banks for the management of remittances services but migrants did not used such services.

**Lorenzo Roncari, American Bank of Albania**, presented the experience gained from his bank that, in May 2005, signed an important Agreement with the Agrotiki Trapeza Ellades – ATE (Agricultural Bank of Greece) on the basis of which the Albanian community of 750.000 migrants can:

- Deposit funds from any location in Greece for their account at ABA Greek Branch;
- Transfer money from any ATE location in Greece to any ABA location in Albania;
- Pay their monthly instalments of loans granted by ABA.

This agreement ensures not only fast, safe and low cost transactions but also a better compliance with anti-money laundering regulations.

In December 2005 the American Bank of Albania signed an Agreement on emigrant remittances with Banca Lombarda Group: a confederated bank in Italy with more than 1000 branches and agencies all over Italy with strong presence in Northern and Central Regions. In addition more banking facilities will be offered to almost 6.000 Albanian businesses registered in Italy.



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ABA has concluded in agreement with 4 Money Service Companies which transfer about 100 order par month, the 95 per cent are from Italy. The average amount of each order is 150 to EUR 200 and the total amount of money received per month is about EUR 20.000.

The ABA attention for the remittances market is confirmed by services supplied in connection with the payment cards, above all of which a debit card (ABACard White) allowing withdraws in Greece and in Albania free of charges, and by internet banking service (ABAFlex) presently used by about 1000 customers carrying out the 18 per cent of cash transfers managed by ABA.

**Giuseppe Cuccurese and Sebastiano Tedone, San Paolo-IMI**, illustrated the important operation made by San Paolo-IMI for the acquisition of the 80 per cent of the capital of the Banca Italo-Albanese in order to directly operate on the Albanian territory. Moreover, San Paolo-IMI also elaborated a Progetto Migranti (Migrants Project) based on the persuasion that to migrants in Italy a level playing field must be insured as far as the banking services are concerned. To this regard it has been recalled that today the 57 per cent of the Albanian migrants is holder of a bank account.

In the branches located in the zones in which relevant migrants group live “ethnic points” have been created and a standard products package has been arranged, currently supplied as pilot test, including a fix price current account service, pre-paid card, loans (particularly micro credit), mortgages, and so on. It has also been affirmed that it is highly probable that migrants, after having acquired confidence with basic banking services, will be interested in the deposits services (especially saving deposits) and later on in the saving management. To better manage the financial relationship with Albanian migrants, Italian banks should sign agreements with Albanian banks in order to develop cross-border activities.

San Paolo signed agreements with two Albanian banks for remittance services and, to this end, a product called “family to family” is supplied. The transfers cost up to 300 Euro amounts to Euro 5,60 for customers migrants and to Euro 7,00 for non customers migrants; credit transfers are execute in two days through crediting the sum to a bank account or through delivery of cash. The supply conditions of these services will be further improved as result of the recent acquisition of the 80 per cento of the Banca Italo-Albanese.

**Augusto Dell’Erba, ICCREA**, recalled that the bank he represented – also on the basis of the experience gained in Ecuador where, together with Banca d’Italia, cooperated with the local authorities to the development of a banking system - has been confronted with the migrants problems, especially Albanian and Moroccan ones, supplying them an ad hoc credit transfer service.

**Fabio Malanchini, Progetto Italia Internazionale**, illustrated the “Progetto Microfinanza” (Micro finance Project), initiative included in the wider “Italia Internazionale” project launched by Italian Ministry of Foreign Affairs and devoted to facilitate the internationalisation of Southern Regions (Basilicata, Calabria, Campania, Molise, Puglia, Sardegna, Sicilia) with the financial contribution of the European Structural Funds. The objective of the Progetto Microfinanza is to exploit local systems for an international development of the institutions and of the overall civil society.

Special attention has been devoted to the initiative involving Sicily Region and Tunisia, at both institutional and banking level, considering remittances services as part of the access to financial services problem for the Italian migrants in Italy and their families in the countries of origin. The main objectives of the initiative are those aiming to:



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- Facilitate the migrants access to Italian bank services;
- Create partnership between financial institutions of the two involved countries in the supply of financial services;
- Supply micro-finance products in the countries of origin;
- Implement “joint” financial products that, in being “joined”, can facilitate the relationship between Tunisian migrants in Italy and their country of origin.

It has been affirmed that the project scheme, appropriately adapted, could be adopted in the Puglia-Albania connections too with higher potentialities, in terms of agreements and operational activities, as result of the more developed micro-finance sector in Albania than in Tunisia

#### **4. Comments**

##### On Albania side

##### Single banks initiatives

From the ABA representative point of view, there is no need for Albanian authorities to intervene in order to promote inter-bank agreements, both for Albanians and foreigners banks, allowing the joint use of networks since each Albanian bank is able to operate very well by using its own network. *It must be noted that figures on remittances illustrated by ABA do not allow making an appropriate assessment on the appropriate policy to be adopted to transfer huge volume of remittances in the banking channel.*

ABA also expressed perplexities on the possibility to develop specific forms of credit for migrants families because of the very high volume of loans that would be demanded and of the associated insolvency risk. *This opinion, completely correct in principle, confirms the importance of building up credit bureau institutions in Albania too.*

The Raiffeisen Bank representative, in ascertaining the limited effectiveness of agreements with Italian banks, recognized the necessity for Albanian banks to consider the remittances phenomenon from a different perspective: Albanian banks should carefully evaluate, with the national and international institutions support coordinated by country central authorities, business potentialities associated with the remittances market together with benefits for Albanian economic development stemming from a widespread use of banking services by migrants and their families.

##### Rules and regulations

The present situation of the phenomenon of the remittances from Italy to Albania emphasizes the existence of a potential market that should adopt rules and standards in order to produce positive impacts on the Albanian economy, on the growth of banking and financial services culture within the population.

Albanian Central Bank and Government expressed their determination to act in order to promote the definition of market rules through all the legal and regulatory instruments available. *However, it has to be noted that the definition of rules and standard also implies the adoption of cooperative actions that does not seem to be shared by all banks nowadays, at least by those intervening at the Conference (e.g. ABA). As a consequence Central Bank should promote cooperation by chairing all the places in which initiatives to be assumed are discussed and decided. Among possible*



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*instruments, inter-bank agreements allow banks to actively participate giving their consensus holding tight the fact that banks should be granted to be able to fully compete after having cooperate in the adoption of infrastructures and standards. The main obstacle to cooperate could derive from those banks sustaining to have already charged with the cost for investments that should be, completely or partly, vanished by the cooperative initiatives; given the present situation in Albania it is likely that this objections should not have a major impact.*

#### On Italian side

##### Banking services for migrants

San Paolo-IMI and ICCREA initiatives, as those of many other banks not participating to the Conference, are an important evidence of the attention paid to the phenomenon without, however, succeeding yet in transferring significant remittance flows from non banking to banking channel, the latter referring to both single Italian banks and Italian banking system. Although the set of services supplied to migrants by Italian bank is already quite articulated, further efforts can be easily made in order to better the supply by adopting the methodologies elaborated in Patti Chiari initiative. It is also evident that a collaboration climate between the two countries banking systems should be create in order to guarantee that Italian banking initiatives fit with the Albanian ones.

##### Information and education/training

General consensus among the Conference participants emerged about the need of actions that, through information and education initiatives, can bring the migrants near to the bank and financial services. These actions should be carried out by all the actors involved in the remittances phenomenon, among which particularly the banks and the Regions. The information process should concern either the migrants conditions and needs or the migrants real knowledge of the services offered by the Italian banks.

It has been pointed out that the school is one of the best information channel since the Regions already have reliable statistic data on the migrants sons schooling; it is consequently possible to contact the students families in order to have and give them information in a very simple way and less dispersive than, for instance, the television or other mass media. The school and families channel represent an informational method better suiting the migrants confidence needs.

An important initiative in the field of training is that of the Banca Italiana di Sviluppo that operates in Albania and manages a particular help desk to prepare young Albanian entrepreneurs.

#### **5. Proposals for an action plan**

Only through a coordinated intervention between Italian and Albanian banks, supported by a favourable regulatory framework in both countries, it is possible to build an integrate services chain to address the financial needs of the worker migrants in Italy and their families in the origin country. Eventual operative lack or discontinuity in any sector of this chain, or not harmonized rules, can create obstacles to the financial flows transmission from a country to the other one.



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The proposed action plan must be in the frame of a new scenario, where the non RSP channel will decrease until the lowest level, the MTOs should be used only for the desultory remittances transfers and, finally, the role of banks and the financial channel will significantly increase.

The non RSP and MTOs channels make the remittances idle, at least until these will be cash by the receiver, and the first channel also the lost risk, the banks channel, instead, is able to guarantee a save remittances transfer process and a complete bound of financial products and services for lifetime opportunities (both in Italy and Albania).

It is probable that the banks, in particular the Albanian ones, have underestimated the remittances business opportunities and, in the same time, the MTOs should prefer the present situation that allows them to exploit their market share or even to make it grow.

### The action plan

The described goals can be reached only on the basis of an action plan that must be promoted, driven and monitored by an Italy-Albanian body, with the participation of Central Banks, Government Authorities, Banking Associations and other bodies representative of the civil communities. The Strategic Committee mandate should include that of overcoming the coordination problems among the different actors and exercising the oversight on the public and private initiatives that will be undertaken in order to increase the involvement of banks in the remittances management.

The setting up of the action plan, to be managed by the Central Banks of the two countries in collaboration with the standard setter international bodies, needs the analysis of any structural or regulatory obstacles to the development of the remittance services allowing the latter to respect standard already defined and adopted at the international level (safety, efficiency, contestability, transparency, accessibility, lack of barriers). It is therefore necessary to make a global assessment of the remittances market on the basis of which it will be possible to make use of the best international practices to define a detailed action plan.

### Next steps

Convergence will prepare the agenda of the Strategic Committee activities (within June 2006) and is prepared to act as Secretariat for the first meeting, which should take place within next autumn.

Summary prepared by Paolo Di Blasi, Convergence consultant.