



REMITTANCES AND FINANCIAL PRODUCTS IN ALBANIA



REALITY AND THE FUTURE



**REMITTANCES
AND
FINANCIAL PRODUCTS
IN ALBANIA
REALITY AND THE FUTURE**

A Survey Analysis

Elvin Meka, Lindita Bendo, Argita Frashëri

Tirana, March 2007



IOM International Organization for Migration
OMM Organizaata Ndërkombetare për Migracionin

Opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the International Organization for Migration and the International Labour Organization. Furthermore, the Italian Ministry of Foreign Affairs is not responsible for any use that may be made of the information contained therein.

IOM is committed to the principle that humane and orderly migration benefits migrants and society. As an intergovernmental body, IOM acts with its partners in the international community to: assist in meeting the operational challenges of migration; advance understanding of migration issues; encourage social and economic development through migration; and uphold the human dignity and well-being of migrants.

This material has been funded through the support of the Italian Ministry of Foreign Affairs.

Publisher: International Organization for Migration (IOM)

Rr. Brigada VIII, Vila Nr. 3
Tirana, Albania
Tel: +355 4 25 78 36
Fax: +355 4 25 78 35
e-mail: iomtirana@iomtirana.org.al
Internet: <http://www.iomtirana.org.al>

Editor: Caroline Mackenzie

ISBN 978 92 9068 383 4

© 2007 International Organization for Migration, Albania

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

TABLE OF CONTENTS

List of abbreviations	5
Abstract	6
Introduction.....	7
Methodology	10
1. Remittances and Financial Products in Albania:	
A detailed analysis	12
I.1 Types of Institutions.....	12
I.2 Range of Services offered by Banks	13
I.3 Range of Services offered by MFIs.....	17
I.4 Range of Services offered by Insurance Institutions.....	18
I.5 Range of Services offered by Pension Funds	19
I.6 Products and Services Planned for the Future	20
2. Main Conclusions.....	25
3. Recommendations	30
Bibliography.....	36
Annex A	38
Endnotes	40

Table 1: Types of Institutions 12

Table 2: Bank Services offered to Albanian Emigrants 13

**Table 3: Albanian Banks having Agreements with Banks in
Host Countries 16**

Table 4: Speed of Money Transfers by Banking Channels.. 16

**Table 5: Products and Services offered by Insurance
Institutions..... 18**

Table 6: Products and Services offered by Pension Funds.... 19

**Table 7: Cross-tabulation: Future Plans on Remittances for
Financial Institutions (frequencies) 21**

**Table 8: Planned Products and Services to be offered by
Albanian Financial Institutions..... 21**

Table 9: Priority ranking by banks..... 22

Table 10: Priority ranking by MFIs 23

Graph 1: Delivery Mode to beneficiary 14

Graph 2: Payment currency 15

**Graph 3: Albanian Financial Institutions offering Future
Financial Products..... 20**

**Graph 4: Priority Ranking of Future Financial Products and
Services 24**

List of Abbreviations

AML	Anti Money Laundering
BoA	Bank of Albania
IC	Insurance Company
ILO	International Labour Organization
IOM	International Organization for Migration
MFI	Micro Finance Institution
MTO	Money Transfer Operator
PF	Pension Fund
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TP	Third Party Liability

Abstract

Remittances are the largest influx of funds into the Albanian economy, outdistancing foreign direct investments and exports. However, these funds flow substantially outside formal channels and, for the most part, help meet the most pressing needs of Albanian emigrants' families and relatives. But, in fact, they do not currently play a significant role in furthering economic expansion and financial investment in Albania, partly because Albanian financial institutions lack the customized and remittances-oriented financial products and services that would encourage formal inflows. This survey seeks to shed light on what is currently offered by the Albanian financial system with regard to remittances and recommends that all interest groups take a pro-active attitude toward and monitor the remittance market attentively in order to turn this potential into a powerful tool for additional business activity and expansion, greater economic growth, and welfare services.

REMITTANCES AND FINANCIAL PRODUCTS IN ALBANIA

A Survey Analysis

Introduction

The social phenomenon of migrant labour is an accepted fact of life in Albania today. Almost everyone has a relative or friend who is working or living abroad, either as a temporary worker or as a permanent migrant. After the fall of Communism and the easing of travel restrictions, Albanians started moving abroad in large numbers to seek employment opportunities. The most common destinations for Albanian workers are Greece and Italy. It is estimated that, out of a total population of 3.2 million people in Albania, 1 million have immigrated to Greece and Italy (Lianos and Glystos, 2004).

According to LSMS (INSTAT 2005), up to 26 per cent of Albanian households have members working overseas. Intimately tied to the migration issue are **Remittances**: money or goods sent by migrant workers to households back home.

The volume of remittances to Albania has grown rapidly since the beginning of the transition and has now stabilized at around 13-14 per cent of GDP. Remittances are increasingly important, relative to other foreign exchange-earning economic activities, representing ~14 per cent of GDP, 70 per cent of exports, and

33 per cent of imports (Fullani, 2006).

Anecdotal evidence suggests that rural households have surplus liquidity, most likely provided by remittances, which is kept in autarchic savings mechanisms. These take, primarily, the form of slow construction of secondary residences and money kept “under the mattress”. If these resources could be mobilized through the development of more formal savings and investments mechanisms and schemes, then remittances could play an important role in expanding economic activity in the country, especially in the rural communities that are home to many migrants.

This survey analysis is part of the project “**Enhancing the impact of migrant remittances in Albania: Creating an Integrated Migrant Remittance System**”, carried out by IOM Tirana in partnership with ILO, which aims to strengthen the institutional and technical capabilities of the Albanian Government, international organizations, non-government agencies, and local government offices in order to enhance the economic, social, and political impact of labour migrants’ remittances.

It focuses on the current level of infrastructure that the Albanian financial system offers for remittances and the potential for attracting a greater share of these funds to savings and investments. It draws on a combination of secondary sources (studies, reports, and statistics) and primary data collected through individual interviews and focus groups.

Practically speaking, the survey aims at:

- identifying current services that the Albanian financial market offers families receiving remittances;
- examining options for migrants to transfer their savings using formal, rather than informal, channels; and
- identifying prospective financial products and services that could be tailored to the needs of Albanian emigrants and their families in Albania.

The report is divided into three main sections:

I. Remittances and financial services and products in Albania: a detailed analysis. This section is divided into seven subsections which provide an analysis of information collected from institutions interviewed regarding:

- o the range of existing financial products and services offered by Albanian financial institutions (banks, insurance companies, pension fund and microfinance institutions) to Albanian emigrants and their relatives;
- o main characteristics of the financial infrastructure through which remittances are handled, and alternatives that are available to them in Albania;
- o future prospects for the Albanian financial system, in terms of the offer of customized and emigrants-oriented financial products and services.

II. Main conclusion: this section provides an overview of the main findings and conclusions of the survey.

III. Recommendations: this section contains valuable recommendations addressed to all groups of interests, ranging from the Albanian Government to financial institutions and regulatory bodies.

Methodology

Data included in the survey was collected through a questionnaire (see Annex A), covering the following target groups:

- commercial banks (17 banks);
- insurance companies (nine companies);
- pension funds (three companies);
- top 10 micro finance institutions (MFIs).

These organizations represent virtually the entire Albanian banking system, in which banks are usually ranked second, after Money Transfer Operators (MTOs) in terms of volume of official remittance transfers.

Data contained in the questionnaire was gathered via e-mails, in face-to-face interviews and through phone calls. The questionnaire contained both qualitative and quantitative

questions, which cover the range of products and services currently offered by these institutions for transferring remittances. Information on prospective trends that the Albanian financial industry may develop was also collected in order to assess financial innovations for investments from remittances.

Twenty-seven institutions responded to the questionnaire, including:

- 14 banks;
- five insurance companies;
- two pension funds;
- five microfinance institutions.

1

Remittances and Financial Services and Products in Albania

A Detailed Analysis

In order to create a more realistic picture of financial products and services that the Albanian financial system offers Albanian emigrants and their relatives in Albania, this report attempted and secured the maximum coverage from financial institutions, which are ready and may offer additional products and services, including traditional money transfers, usually offered by other operators such as MTOs.

I.1. Types of Institutions

The main types of institutions participating in this survey are shown in Table 1.

Table 1 Types of Institutions

Type of institution	Number in target group	Positive responses
Commercial banks	17	14
Micro finance institutions	10	6
Insurance companies	9	5
Pension funds	3	2

I.2. Range of Services offered by Banks

Albanian banks currently offer a range of services to Albanian emigrants and their families. The information in this section was collected through questions 3.1-3.9 in subsection 3 of the questionnaire.

In response to these questions, the banks replied that they currently offer financial services or products to the Albanian emigrants.

Regarding the types of services and products they offer, 14 banks replied that they had a transfer service and 12 offered a deposit facility (85.7%). Ten banks could provide emigrants and their families with mortgage loans (71%), and six had facilities for business loans (42.8%). Card services were offered by eight banks (57.7%) while three (21%) offered other services.

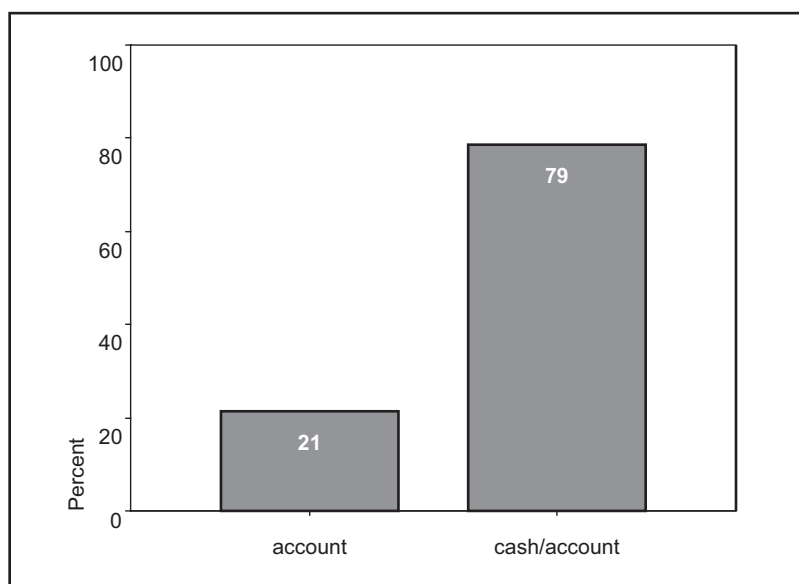
Table 2 Bank Services offered to Albanian Emigrants

Service/Product	No. of Banks
Bank transfer	14
Deposit	12
Mortgage loan for emigrant and family in Albania	10
Business loan for emigrant and family in Albania	6
Card services	8
Other services	3

Asked whether they offered free-of-charge money transfers, seven respondents (50%) replied that free-of-charge money transfers were available to emigrants, up to a certain limit. The usual rate for this maximum cap on cost-free money transfers appears to start at EUR250, but some banks do not set an upper limit.

Regarding the way that remittances are delivered to the beneficiary, 11 banks (79%) deliver remittances in cash and (21%) by deposits in accounts.

Graph 1 Delivery Mode to Beneficiary

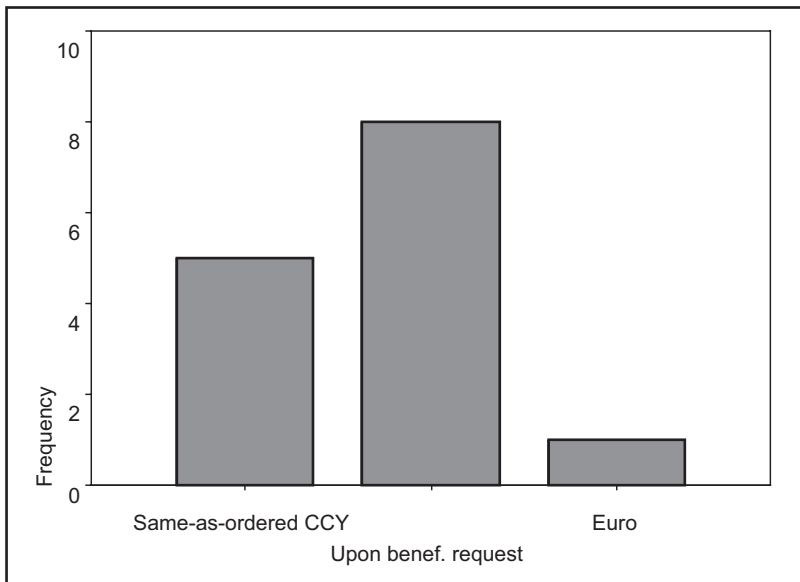


With regard to the type of currency used in payment by banks, five respondents replied that they pay in the 'same-as-ordered'

currency (36%), whereas eight banks (57%) pay according to the request of the beneficiary; no banks pay the beneficiary in Albanian LEK, and only one bank pays the beneficiary exclusively in euros.

It would appear that banks employ a high level of flexibility, in terms of satisfying emigrants' and their families' requests.

Graph 2 Payment Currency



The Albanian banks were asked about the existence of agreements with banks in host countries. Ten respondents (71.4%) have negotiated agreements with banks in host countries.

Table 3: Albanian Banks having Agreements with Banks in Host Countries

Host Country	No. of Banks
Italy	9
Greece	6
Germany	2
Austria	2
USA	3

Bearing in mind that the majority of Albanian emigrants live in Italy and Greece, five out of 14 banks have agreements with banks in both countries. It may thus be concluded that the Albanian banking system may sufficiently cover possible remittances transfer originating from certain countries in which Albanian emigrants reside.

More than half the respondents (8 banks, 57.2%) claimed to provide a real-time service for money transfers (i.e., within 24 hours), while five banks (35.7%) required three days to transfer money and one bank could transfer money in two days.

Table 4 Speed of Money Transfers by Banking Channels

Speed (in days)	No. of Banks
Real-time	8
One day (T+1)	1
Two days (T+2)	5

It is concluded that not all banks engaged in remittance services offer real-time money transfer services, and are thus in a relatively disadvantageous position, with regard to other formal money transfer operators (MTOs).

All banks replied that they used SWIFT for making transfers and five banks also use other methods.

Thus the Albanian banking system may well serve as a formal platform for real-time money transfers, following the latest conclusion by SWIFT that there is a sufficient industry interest, market potential and a clear role to allow the organization to launch a project to support banks with workers' remittance transfers.

However, the potential for banks and MTOs to play a greater role may be limited by the proximity of host countries, where the majority of Albanian emigrants reside.

I.3 Range of Services offered by MFIs

This subsection provides information on the range of services provided by Albanian MFIs to Albanian emigrants and their families (collected through questions 4.1 and 4.2 of the questionnaire).

Three out of five MFIs interviewed confirmed that they offer

financial services and products to Albanian emigrants: two MFIs offer business loans, and one offers consumer loans (including loans for car purchases). It is important to stress that MFIs are not legally allowed to offer transfer services.

I.4 Range of Services offered by Insurance Institutions

This subsection provides information about the range of services Albanian insurance institutions currently offer Albanian emigrants and their families. The information under this section was collected through questions 5.1-5.2 of the questionnaire.

Three out of five insurance institutions replied that they offer services and products to Albanian emigrants. When asked about their practical products and services, the insurance institutions replied that they offer some basic insurance as listed in Table 5 below.

Table 5 Products and Services offered by Insurance Institutions

No	Products and Services	No. of Insurance Institutions
	Life insurance	2
	TPL	1

I.5. Range of Services offered by Pension Funds

This subsection provides information about the range of services that Albanian pension funds are currently offering to Albanian emigrants and their families, based on replies to questions 6.1 and 6.2 of the questionnaire.

Both respondents replied that they offer basic products, as listed in Table 6 below.

Table 6 Products and Services offered by Pension Funds

No.	Products and Services	No. of Insurance Institutions
1	Old age pension	2
2	Defined retirement benefits (payments)	2
3	Survival pension	2

It should be noted that, apart from traditional pension-related services, Albanian pension funds do not offer any other long-term financial products to Albanian emigrants. Despite the low number of insurance institutions in Albania and relatively young age of the population, it seems that they are positioning themselves to be active in capturing this market in the future.

I.6. Products and Services Planned for the Future

This subsection provides information about the range of future products and services Albanian financial institutions plan to offer in the future and attempts to sketch a simple picture of the prospective tendencies that the Albanian financial industry sees in terms of financial innovation for the investment of remittances. The information under this section was collected through questions 7.1-7.3 of the questionnaire.

Fifteen financial institutions (58%), are planning to offer financial products and services to Albanian emigrants in the future.

Graph 3 Albanian Financial Institutions Offering Future Financial Products

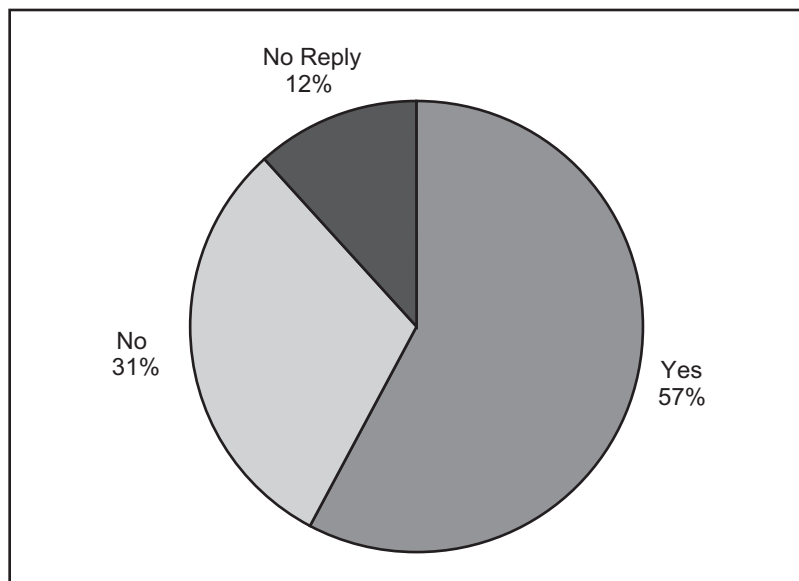


Table 7 Cross-tabulation: Future Plans on Remittances for Financial Institutions (frequencies)

		Financial Institutions				Total
		Banks	MFIs	PFs	ICs	
Future plans	Yes	9	4	1	1	15
	No	2	1	1	4	7
Total		11	5	2	5	23
<i>No reply</i>		3	-	-	-	3
Total		14	5	2	5	26

The type of financial products and services they plan to offer Albanian emigrants can be seen in Table 8 below.

Table 8 Planned Products and Services to be offered by Albanian Financial Institutions

No	Products and Services	Banks	Insurance Institutions	Pension Funds	MFIs	Total
1	Deposit	4	-	-	-	4
2	Card Service	7	-	-	-	7
3	Mortgage loans	5	-	-	-	5
4	Business loans	4	-	-	4	8

5	Brokerage services for securities investment and/or portfolio management	6	-	-	1	7
6	Long-term savings scheme	8	-	1	2	11
7	Fund Administration Schemes	4	1	1	1	7

With regard to their priorities in launching these products and services in the future, the respondents were asked to indicate a level of priority for each product or service, as shown in Tables 9 and 10 below.

Table 9 Priority ranking by banks

No	Products and Services	Priority (1-7)
1	Deposit	6.48
2	Long-term savings scheme	6.21
3	Prepaid card	5.77
4	Mortgage loans	4.57
5	Business loans	3.98
6	Brokerage services for securities investment and/or portfolio management	3.58
7	Fund Administration Schemes	2.99

Table 10 Priority ranking by MFIs

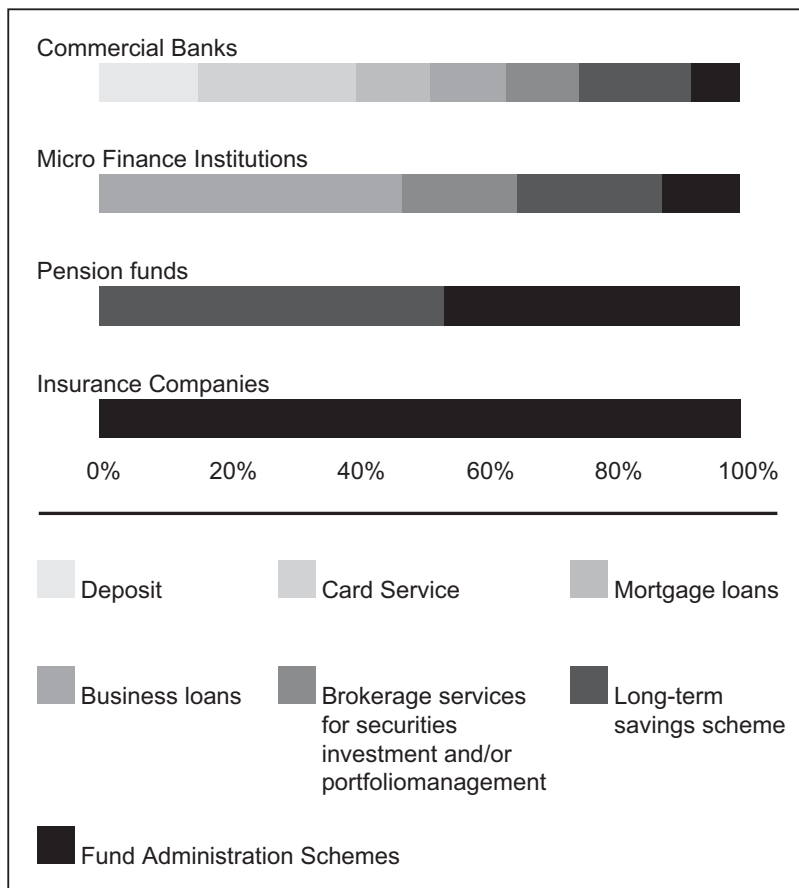
No	Products and Services	Priority (1-7)
1	Business loans	7.00
2	Brokerage services for securities investment and/or portfolio management	6.00
3	Long-term savings scheme	5.48
4	Fund Administration Schemes	4.00

From these figures, it would appear that:

- **Banks** will concentrate on deposits, but put a low priority on fund management schemes;
- **MFIs** will concentrate on business loans and also give lowest priority to fund management schemes.

In their strategic plans for the future (Graph 4, below) it seems that banks are more eager to develop a wide range of services for remittances, with the main priority on **developing card services**. For MFIs, however, priority is given to **business loans** and **long-term savings schemes**. Insurance companies will concentrate all their efforts on **fund administration schemes**, while pension funds prefer **long-term savings schemes** and **fund administration schemes**.

Graph 4 Priority Ranking of Future Financial Products & Services



MAIN CONCLUSIONS

2

The main findings and conclusions of the survey can be summarized as follows:

1. Banks, in general, do not require that beneficiaries must hold an account with them in order to be able to receive money in Albania through them. Beneficiaries can pick up remittances in the Bank by producing valid identification documents. In addition, the beneficiary is not under an obligation to use the bank's official exchange rate, which may be less favourable than the rate on the free market. The remittance is usually paid out in the same currency as the transfer.
2. Not all banks providing a remittance service offer real-time money transfer services, which puts them in a relatively disadvantageous position compared with other formal MTOs. Bank transfers can be cashed on the same day or up to four working days, depending on the transfer mechanism used.
3. The Albanian banking system may serve well as a formal platform for real-time money transfers, according to the latest evaluation by SWIFT. There is sufficient industry

interest and market potential to persuade SWIFT to consider introducing a specific service for cross-border remittance payments. However, the potential for increasing the role played by banks and even MTOs in the money transfer business may be limited by the proximity of host countries where the majority of Albanian emigrants reside.

4. In Albania, some banks have entered into arrangements whereby the beneficiary does not pay a fee for incoming transfers; instead, senders pay an increased fee to the sending financial institution or MTO and a part of this fee is passed to disbursing institutions. So, there is indeed potential in the market for a transparent price service. Also, few banks in Albania have responded to the emigrants' money transfer market by making bank agreements through their branch networks or even through partnerships with private MTOs.
5. Some Greek and Italian banks have established a branch network in Albania, although most work with partner banks. Albanian banks work mainly with various partner banks to remit money, primarily with Italy. These solutions can be effective for specific geographic corridors, but lack scalability, as banks try to expand business. Services based on correspondent banking systems are less efficient than 'unilateral' network models, commonly used by non-bank competitors.

6. Despite the fact that banks are the core of the Albanian financial system, they seem to consider the remittance market as a peripheral business opportunity. In addition, banks do not employ any specific and well-established long-term strategy to promote and advertise financial products and services to attract remittances from Albanian emigrants. This situation may be partly explained by the relatively higher effectiveness of MTOs to reach distant receivers, and particularly illegal emigrants, and the reluctance that emigrants may have to using banks and banking services. Notwithstanding this, we can see banks taking greater interest in capturing this part of the financial market. The 'bankarization' of remittances may be seen as an important lever to promote financial deepening in Albania.
7. The range of bank financial products and services offered to emigrants is quite low. Albanian banking institutions offer different savings and investments schemes but only a few are directed specifically to emigrants, as most of their services are directed at the general population. Migrants can of course also have access to these schemes.
8. In their strategic future plans, banks are relatively more eager to develop a wide range of services for remittances, with a preference for developing card services. For MFIs, the priority lies mainly on business loans and long-term savings schemes. Insurance companies seem to be

- more oriented towards fund administration schemes, while pension funds want to introduce long-term savings schemes.
9. Insurance companies seem to be outside the remittance market, possibly because the insurance industry is not fully developed. This perhaps indicates a need for a greater depth and sophistication in the entire financial system in Albania.
 10. Apart from traditional pension-related services, Albanian pension funds do not offer any long-term financial products for Albanian emigrants. Despite the low number of pension funds in Albania and their recent introduction, it seems that they are posed to be active in capturing this market in the future.
 11. MFIs are, undoubtedly, interested in entering the growing remittances market. Based on experience in other receiving countries, MFIs are keen to become the alternative for leveraging remittances for productive ends. Orozco (2004) argues that MFIs, “could fill a void” by meeting migrant households’ financial needs.
 12. Moreover, the close proximity of MFIs to client groups and communities likely to receive remittances, together with their experience in serving low-income populations, gives them a unique position to reach recipients by offering

low-cost transfer products and access to other financial products that they may not have considered.

13. While it has proven difficult to convert successful migrants with no prior business experience into dynamic entrepreneurs, it is more realistic to introduce financial intermediaries to attract remittances as savings and to channel them into exciting small micro businesses (Sorensen 2004).

3

Recommendations

Based on the above findings and conclusions, the following recommendations could be given to all groups interested in the remittances market:

1. Senders do not have enough information about Albanian banking products, providers or the documents required, and they do not know where to find the information they need. However, before using a service, senders need comparative and independent information about the remittance services that are available. Based on the information gathered by the survey on money transfer products, the Albanian Government and other interested groups could consider developing and regularly publishing information and analyses on money transfer practices and the fees charged by different institutions. Such an effort might focus on the following aspects of money transfer operations:
 - (i) transfer fees and exchange rates and methods of delivery;
 - (ii) business locations and geographic coverage;
 - (iii) transparency about costs and services, allow customers to make comparisons of, and better choices about,

money transfer services, and thus encourage competition among MTOs and improved and cheaper services.

2. Banks have the advantage in providing payment services for emigrants' remittances and for many other financial services. In addition to making money transfers simple and less expensive, there are other reasons for lobbying for greater use of banks in the remittances' market in Albania. The survey noted that banks in Albania are particularly well placed to develop their market presence in response to the needs of the Albanian Diaspora. The emigrant's family in Albania may need savings, loans and other financial services, in addition to being able to transfer money. MTOs do not offer loans and they do not accept deposits, services offered by banks. The advantage of using the bank is that beneficiary has the right to save part of the money and use the rest. This means that remittance money that is not used for immediate consumption can be channelled from savings to investments, since banking institutions can act as financial intermediaries. Although banks do not show a great interest in developing the remittance business, they must focus their energies on developing new products and services to meet the future needs of Albanian emigrants as the financial market deepens and develops further. They should collaborate with host countries' banks to reduce the internal cost of bank-to-bank transfers by introducing a charging structure that does not penalize low value transfers, and give Albanian banks an advantage in having emigrants committed to their system of distribution.

3. If Albanian financial institutions were to open branches in host countries, they will be able to offer a special transfer scheme to emigrants, which combine cheaper transfer fees and fast service. There is a lack of banking agencies in rural areas, where many of emigrants' families live. If banks, MFIs and microcredit institutions could enter into collaborative agreements, they could work together to develop a network in underserved areas. The post office network also offers a good opportunity for such collaboration.
4. The Albanian Government must create conditions that will encourage the mobilization of migrant savings and the development of financial assets in their home country. It should also pursue an active interest rate policy for emigrant accounts. This would activate and mobilize significant resources of the Albanian Diaspora, which currently invest or save their money abroad. Deposits made in foreign currency or even local currency at favourable rates would certainly represent an attractive alternative for migrants and have beneficial effects on the Albanian economy. Some banks are already engaged in such efforts and could target a strategy linking remittance transfers with banking options as a way of attracting migrants into the financial system.
5. The Albanian Government must also take some important steps in terms of regulation, especially:
 - The Anti-Money Laundering (AML) legislation, and the

related Know Your Customer (KYC) requirements; different players are subject to asymmetrical regulatory requirements, although the services they provide, are roughly equivalent or similar. The Albanian Government and Bank of Albania should establish and guarantee rules for a level playing field, in terms of reporting and control, for all players in the money transfer market.

- Completion and endorsement of the legal framework for the establishment and functioning of collective and investment schemes: this will enable market participants to offer attractive investment alternatives for Albanian emigrants' disposable funds.
6. The infrastructure for Albania's payment system must be further improved. Bank of Albania has taken the lead in developing and improving the national payment infrastructure, but there are still gaps in the use of electronic networks in semi-urban area or rural areas. Bank of Albania should encourage operators to increase interoperability of electronic networks. The creation of an efficient electronic payment system provides a strategic instrument for the circulation of financial resources and, hence, for the influx of capital, for investment, for the banking system and for economic development in general (Frigeri and Ferro, 2006).
 7. Banks should consider promoting the usage of modern banking products and services, such as prepaid cards, outside and inside Albania and internet banking. Use of

bank cards has the advantages of speed and convenience and many financial institutions already offer card services in Albania. Although Albanian banks have launched the proprietary or rechargeable debit card for emigrants, this initiative must be promoted more widely. Another alternative payment system, particularly appropriate for emigrants, is the Prepaid Credit Card, which, like the rechargeable card, can be easily used for online and retail payments. Both cards suit emigrants' families who do not necessarily have a bank account and users who do not want to invest in technology or download special software.

In addition to bank cards, banks should think about providing customers with e-banking and internet-based services. Internet is a powerful tool for facilitating and revolutionizing banking services throughout the world. Skilled emigrants abroad could open savings accounts with Albanian banks that offer e-banking services and use them to channel more funds through the Albanian banking system. The sender will also have more flexibility in making decisions on savings, using cash, and billing or settling bills in Albania.

8. Currently, banks in Albania offer different savings and investments schemes, which rarely target Albanian emigrants; most of them are standard banking products and services. Albanian financial institutions must develop long-term strategies and attractive products and services tailored to emigrants' remittances and their investments patterns and needs. Banks' marketing strategies should,

in the near future, consider such questions as competitive advantage and links between remittance transfers and banking products and services.

9. MFIs should be allowed to enter the remittance market and encouraged to play a more instrumental role in this market, once barriers have been removed. In Albania, savings and credit cooperatives and microfinance organizations are automatically barred from remittance activities. Those that have the capacity should be allowed to enter the remittance market; where necessary, they should be encouraged to form alliances with banks and MTOs, since they are often the only financial institution available in remote areas and they already work with the target groups. In Albania, there seems to be little reason to prevent credit unions from cashing checks and providing remittance services to non-members. This is an important legislative issue for the Albanian Government, and will require a review and a reorganization of banking laws with regard to financial services for low-income populations, particularly in rural areas where a large share of remittances is sent. MFIs could serve as remittance agents in areas where banks are not active. Efforts to expand the role of MFIs require that their capacity to take on new tasks should be subjected to a realistic assessment. They will need to make substantial upgrades of their technology and management practices, before they can obtain access and offer services in the remittance market.

Bibliography

Frigeri, D., Ferro, A.

2006 *Financial instruments for the optimization of the role of remittances in development*, CeSPI, Rome

Fullani, A.

2006 Speech at Remittances: An Opportunity for Growth. The Albanian Migration to Italy as a Case Study, Governor of Bank of Albania, Bari, 3-4 March 2006

INSTAT

2006 *Albanian Living Standard Measurement Survey*, Tirana, Albania

Jaramillo, M.F.

2004 *Leveraging the Impact of Remittances through Microfinance Products: Perspectives from Market Research*, ACCION International, Washington DC

Lianos, T., Glystos, N.

2004 "Remittances in Europe", in Wilson, S., *Beyond Small Change: Making Migrants' Remittances Count*, Inter-American Development Bank, Washington DC

Orozco, M.

2004 *Remittances to Latin America and Caribbean: Issues and Perspectives on Development*, Report

commissioned by the Organization of American States, Washington DC

Puri, S., Tineke R.

1999 *Migrant Worker Remittances, Microfinance and the Informal Economy: Prospects and Issues*, ILO Working Paper no. 21, ILO, Geneva

Shaw, J., Eversole, R.

2005 "Introduction", in Shaw J. (ed.) *Remittances, Microfinance and Development: Building the Links*, Foundation for Development Cooperation, Brisbane

Sorensen, N.N.

2004 *Migrant Remittances as a Development Tool: The Case of Morocco*, IOM Migration Policy Research, Working Papers Series No. 2

Annex A



IOM International Organization for Migration
 OIM Organizata Ndërkombëtare për Migracionin

QUESTIONNAIRE ABOUT THE ACTUAL AND FUTURE AVAILABILITY OF ALBANIAN FINANCIAL PRODUCTS IN FRONT OF REMITTANCES

International Organization for Migration
 Rruga Brigada VIII, Vila no 3 Tirane, Shqiperi
 Tel: + 355 4 257836/7
 Fax: + 355 4 257835
 E-mail: tgrazhdani@iomtirana.org.al
akurdari@iomtirana.org.al

Dear Madam/Sir,
 International Organization for Migration will conduct a survey analysis, about the actual availability of products and services that the Albanian Financial Market is offering for immigrant remittances, as well as the potential products and services range that may be offered to them in the near future.
 Your data will be treated confidential and will be published in group without affecting your institution's interests.
Thank you in advance for your kind cooperation.

1 General Information

- 1.1 Institution Name _____
- 1.2 Address _____
- 1.3 Telephone _____
- 1.4 Fax _____
- 1.5 E-mail _____

2 Type of institution

- 1 Commercial Bank ➔ Please move to Section 3 and 7.
- 2 Micro Finance Institution ➔ Please move to Section 4 and 7.
- 3 Insurance Company ➔ Please move to Section 5 and 7.
- 4 Pension Fund ➔ Please move to Section 6 and 7.

3 Range of bank's services offered to immigrants' remittances

- 3.1 Does your bank offer products and services to Albanian immigrants? YES NO
- 3.2 If YES, please tick the services, offered by your bank, out of the following list
 - 3.2.1 Bank Transfer ➔ Please move to subsection 3.3.
 - 3.2.2 Deposit
 - 3.2.3 Mortgage Loan for him/her and his/her family in Albania
 - 3.2.4 Business loan for him/her and his/her family in Albania
 - 3.2.5 Card Service
 - 3.2.6 Other services (please list) _____
- 3.3 Does your bank offers free-of-charge money transfers up to a certain amount? PO JO
- 3.4 If YES, what is the maximum cap? _____
- 3.5 Delivery Mode to Beneficiary: Cash Account
- 3.6 What is the payment currency: Same-as-ordered CCY ALL Upon the benef.request
- 3.7 Regarding remittances transfer, does your bank have any agreement with banks at the Albanian immigrants' host countries?
 - YES NO
 - 3.7.1 If YES, please list the country(ies):
 - 1 _____
 - 2 _____
 - 3 _____
 - 4 _____
- 3.8 Services' speed 2 days (value date) Real time
- 3.9 Method of payment SWIFT Other

4 Range of services offered by the micro finance institution to immigrants' remittances

4.1 Does your institution offer products and services for Albanian immigrants?

YES NO

4.2 If YES, please list herebelow the services, offered by your instution:

5 Range of services offered by the insurance institution to immigrants' remittances

5.1 Does your institution offer products and services for Albanian immigrants?

YES NO

5.2 If YES, please list herebelow the services, offered by your instution:

6 Range of services offered by the pension fund to immigrants' remittances

6.1 Does your institution offer products and services for Albanian immigrants?

YES NO

6.2 If YES, please list herebelow the services, offered by your instution:

7 Products and services which are intended to be offered in the future, related to immigrants' remittances

7.1 Do you plan to offer new products and services related to the immigrants' remittances?

YES NO

7.2 If YES, please tick the type of the product and/or service, out of the following list (more than one option may

- Deposit (1)
- Prepaid Card (2)
- Loan for:
 - Mortgages (3)
 - Business (4)
- Brokerage services for securities investment and/or portfolio management (5)
- Long-term savings scheme (6)
- Fund Administration Schemes (7)

Endnotes

- 1- This means that only the sender pays the full fee. Albanian banks do not charge people receiving incoming transfers an additional fee.
- 2- SWIFT is currently planning to introduce a specific service to support cross-border workers' remittance payments. Development should begin in the second half of 2007 with implementation of the pilot platform due in 2008.
- 3- 7 indicates the highest priority and 1 the lowest priority.
- 4- Following the initiative of the World Bank and the Convergence Programme (sponsored by World Bank) for the development of Italy-Albania Remittance Corridor (finalized at "Remittances: An Opportunity for Growth. The Albanian Migration to Italy as a case study", Bari, 3-4 March 2006) Albanian Association of Banks (AAB) and Italian Banking Association (ABI) started, in 2006, to work together to expand cooperation between Albanian and Italian banks in order to encourage greater use of banking channels for remittances.
- 5- Customers buy two rechargeable cards, one of which is sent to a family or relative in Albania for use at ATMs or POS.



IOM International Organization for Migration
ONM Organizata Nderkombetare per Migracionin

International Organization for Migration (IOM)

Rr. Brigada VIII, Vila Nr. 3, Tirana, Albania

Tel: +355 4 25 78 36

Fax: +355 4 25 78 35

e-mail: iomtirana@iomtirana.org.al

Internet: <http://www.iomtirana.org.al>