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### **Remittances enhancement for the local development in Albania: constraints and opportunities**

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## CONTENTS

INTRODUCTION	2
1. CONSTRAINTS AND OPPORTUNITIES OF THE ALBANIAN FINANCIAL SYSTEM	3
1.1 The commercial banking system	3
1.2 Albanian micro-credit and micro-finance institutes	5
2. CONSTRAINTS AND OPPORTUNITIES OF THE ITALIAN BANKING SYSTEM	8
2.1 The commercial banking system	8
2.2 The Ethic finance circuit: a possible alternative?	13
3. THE ALBANIAN COMMUNITY IN ITALY	17
3.1 An incomplete integration	17
3.2 Aspects of the economic behaviour	20
3.3 Aspects of the social behaviour	22
4. CONCLUSIONS ON THE OPPORTUNITIES AND CONSTRAINTS TO A POLICY OF REMITTANCES' ENHANCEMENT	25
4.1 Redirecting remittances towards official channels	27
4.2 Encouraging remittances savings	28
4.3 Facilitating remittances investment	30
BIBLIOGRAPHY	32
PERSONS INTERVIEWED	34
TABLES	36

## INTRODUCTION

This study is intended as an analysis of the main constraints and opportunities to the enhancement of remittances in Albania. It is part of a wider research carried out by CeSPI aimed at identifying possible strategies for the use of remittances as a vector of local development in emigration countries.

Such an issue is particularly relevant since during the last years, savings sent by migrants towards developing countries have become a very important economic resource, making-up in many cases one of the main sources of financial revenue at the national level (table 1).

In this context a crucial strategic role could be played by policies aimed on the one hand at channelling remittances through formal structures in the recipient countries and on the other hand at promoting their savings and investment in the countries of origin.

A recent research by CeSPI has shown that such policies have already been tested in some countries with strong migration trends. The adopted measures were basically aimed at influencing the choices of the individual worker abroad by introducing three core tools:

1. the stimulation of savings by emigrants and
2. the channelling of remittances through formal structures and their deposit in the countries of origin
3. the facilitation of productive investments by emigrants in the countries of origin

These measures are part of a double level policy. In the receiving countries it is key the re-orientation of money transfer flows from informal to formal channels. In the countries of origin it is crucial the presence of a financial system able to allocate such resources.

The effectiveness of these policies is obviously associated to the existence - in the countries of origin - of financial structures (not necessarily banks) that can act as intermediaries in orienting credit towards productive purposes. Other important pre-conditions are represented by the presence of dynamic entrepreneurs at the local level as well as by the existence of a conducive economic environment (adequate basic infrastructure, good level of access to local markets, local supply and marketing capacity, effective regulatory system).

My research has been aimed at verifying which conditions encouraging a policy of remittances enhancement do exist in the specific Albanian context and how are they currently shaping and evolving.

The fact that Albania is often defined, within the policy debate, as the 'worst case' as far as the feasibility of such policies is concerned, is quite telling about the importance of this preliminary stage of the analysis.

On the one hand, remittances flow towards Albania has been increasing during the last years at a very high rate (table 2). At the end of 2001 emigrant's remittances corresponded to approximately one fifth of the GDP (620 m\$). According to UNDP sources during 1999 the amount of money sent home by emigrants has been almost twice as large as foreign exchange revenues from exports, almost four times as large

as the value of direct investments, and approximately 60% larger than the revenue generated by industrial production<sup>1</sup>.

On the other hand, the weakness of the Albanian financial system and its little productive capacity entail the almost exclusive use of remittances for the purchase of imported goods, and therefore lessen their potentially positive impact on the local economic system.

In the next paragraphs the analysis will focus on the main obstacles to a policy aimed at the enhancement of remittances in Albania, but will also try to point at some elements that, despite all the difficulties, could make a case for some pilot attempts in this domain.

In particular the analysis will concentrate on three aspects:

- constraints and opportunities related to the Albanian financial system.
- constraints and opportunities associated to the involvement of the Italian financial system in policies of remittances' enhancement in Albania
- opportunities related to some specific features of the socio-economic behaviour of Albanian workers in Italy.

## **1. CONSTRAINTS AND OPPORTUNITIES OF THE ALBANIAN FINANCIAL SYSTEM**

### **1.1 The commercial banking system**

Albania, notwithstanding the improvement of macroeconomic indicators (growth of GDP, low inflation, decreasing unemployment rate, deficit declining, etc.), still presents a strong backwardness in the financial structure.

After the crisis of pyramidal schemes the national authorities adopted measures to strengthen the financial sector and enhance the role of the private sector in the banking system. The operations of the smallest of the three state-owned banks, the Rural Commercial Bank, were suspended at the end of 1997 and the bank was liquidated in 1998. The National Commercial Bank - the second largest state-owned bank - was privatised in 2000, and the privatisation of the third state owned bank - the Savings Bank is still underway. At the end of 2001 the Albanian banking system was composed of thirteen banks, of which one - the Savings Bank - had state capital, two had joint capital and ten had private capital (including 3 branches of foreign banks)<sup>2</sup>.

According to the Economist Intelligence Unit report Private foreign shareholders held a majority stake in 11 commercial banks: the share of Albanian banking assets held by foreign entities rose from 60% in 1999 to 84% in 2001, whereas the state-owned banks' share dropped from 38% to 13%<sup>3</sup>.

Some further steps have been carried out during the last years in order to improve the national financial environment: the Bank of Albania (BoA) has continued to pursue a prudent monetary policy and a law on deposit insurance as well as a bankruptcy law have been adopted between 2001 and 2002<sup>4</sup>. As a result of those policies banks deposit and credits have slightly increased (see table 3 and 4); domestic interests rates

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<sup>1</sup> UNDP, Albanian Human Development Report 2000, p. 43

<sup>2</sup> E. Uruçi e I. Gedeshi, (Center for Economic and Social Studies - CESS), Remittances management on local development, June 2002, Tirana, Albania, p.7. For an overview of the Albanian financial system one can see: Banca d'Italia, The banking and financial sector in the countries of South-Eastern Europe, Rome, 2002

<sup>3</sup> Economist Intelligence Unit, Country profile 2002. Albania, EIU, London, 2002, p.33-4

<sup>4</sup> Commission of the European Communities, Albania Stabilization and Association report 2003, Brussels 26.3.2003

(12 months) on deposits, also grew up to 7.8% in 2001 while borrowing rates fell to 11.9% compared with 21% in 2000<sup>5</sup>.

Notwithstanding these first results the Albanian financial system still remains deeply depressed and largely inadequate to foster business development. As emerges from a recent study conducted by the Bank of Italy, the persistence of a wide “grey area” in banks’ corporate governance, management, credit practices, linkages to enterprises and government financing, entails inefficiencies and structural weaknesses in the banking sector. Moreover, banking authorities often lack the expertise, the independence and some times even the enforcement power to adequately perform the surveillance function entrusted to them. Finally, due to the weak legal infrastructure and to the instability of the productive system, loan policies are widely risky and underdeveloped. Non-performing loans have amounted to a 33.6% by the end-2000 and to a 47.2% by the end of 1999. Those limits make capital trading negligible and limited to treasury bills and government bonds.

As a matter of fact, the Savings Bank has invested the largest amount of its assets in government bonds and having also being subject to strict prudential limits imposed on lending, it has not performed an effective financial intermediation towards the private sector. On the other hand private banks have so far shown little propensity to extend credit to the private sector, while largely focusing on trade financing and fees generating activities.

By the end of 2001 credit provided by the banking system to the private sector was the smallest between SEE countries, representing only the 4.6 per cent of GDP (against some 32% in Bosnia and the 37% in Slovenia – table 3 and 5)<sup>6</sup>.

The interview to Emidio Cocozza, officer of the Bank of Italy in charge of a study on the Albanian financial context, brought into evidence the vicious circle between the lack of a credit policy and the little concern of commercial banks in fostering deposit. The reduced banks’ commitment in loan policies make them little interested in attracting savings and consequently in channelling remittances: additional funds couldn’t be profitably invested and would entail at the same time large management costs. Within such a context a policy of enhancement of remittances through the banking system is regarded as definitively premature.

Such a picture was confirmed by the banks officials interviewed in Tirana (Tirana Bank, Fefad Bank, Italian-Albanian Institute, Central Bank of Albania). In absolute terms, banks appeared not to be interested in a policy of credit and savings stimulation nor in strategies aimed at capturing part of the remittances market.

Albanian banks can receive emigrant workers’ remittances through the intermediation of “correspondent banking institutes” in the host countries. Emigrant who want to send money home can do it from any institute in the recipient country by specifying the corresponding Albanian institute to the Albanian bank where they want to put their money. Of course, it is a quite complex system that involves relatively high costs, a long transaction period and the awareness by the emigrants about the specific banking network they are going to use. As a result, immigrants prefer to resort to informal channels or, if it is not possible, to the Western Union that charges quite high fees (table 6) but offers a service rapid, safe and widespread over the territory<sup>7</sup>.

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<sup>5</sup> Republic of Albania-Ministry of finance, Medium term expenditure framework 2003-2005, Tirana, September 2002

<sup>6</sup> Banca d'Italia

<sup>7</sup> Western Union is a multinational company with more than 85,000 points around and a control of more than 80% of the international remittance market. Worldwide Western Union and Money Gram channel about 50% of remittance flows. For migrant workers the use of a formal money transfer

The small part of immigrants that send remittances from Italy to Albania through the banking system, usually resorts to the Italian-Albanian Institute, the only Italian banking institution operating in Albania. This institute offers simpler transaction mechanisms because has not to network with “correspondent banking institutes”, but operates exclusively through its Tirana office. This causes the beneficiaries of the remittances to be bound to the capital, even if many Albanian banks opened branches in different national districts.

In spite of these premises, the banks officials do not perceive this situation as problematical. The high costs and the low profit related to the remittances market discourages them from spreading their local presence both in Albania and in the destination countries, as well as from signing agreements with foreigners financial institutes or development actors as to increase the remittances flow passing through their structure.

In this context, it is interesting to notice that even the Fefad bank<sup>8</sup>, one of the few institutes offering credit to micro and small enterprises, appeared not interested in a policy aimed at attracting the remittances flow, addressing it towards its credit policy and eventually leveraging it by agreements with foreign and development actors. The official interviewed stressed that the Fefad bank couldn't afford such policy due to the lack of human capital and of structural resources.

The difficulty of the commercial banking system to act as a vector for a more productive and effective use of remittances clearly emerges from all these considerations. A partially different scenario is pictured, on the contrary, by officials of some non-banking organisations that have been developing, over the last years, micro credit and savings services.

## **1.2 Albanian micro-credit and micro-finance institutes**

Since 1994 the micro-credit sector developed in Albania as an alternative to the weakness of the standard approach to credit both in the rural and in the urban areas. Even though micro-credit is still not completely self-sustainable, it has proven to be effective in serving clients that are too small or without sufficient collateral for commercial banks. In a 1999 project appraisal document, the World Bank stressed how “The extraordinary level of micro-credit clients commitment was demonstrated during the 1997 crisis triggered by the collapse of pyramid schemes: both the rural and the urban micro-credit programs were able to maintain responsibly high repayment rates even while the Government collapsed and banks were burned”<sup>9</sup>. In 2001 the Italian association Etimos<sup>10</sup> identified, in the urban regions, about 400,000 micro enterprises potentially needing micro-credit delivery services; also in the rural areas, where about the 71% of labour force is still employed<sup>11</sup>, the need for micro

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company represents a safe way to transfer funds in less than 30 minutes to their home town without legal restraints. The process is very simple and the client is not required to present personal documentation at the initiation of the process. The vast distribution system is another advantage that these companies offer.

<sup>8</sup>FEFAD Bank is a specialist institution, based in Tirana, which focuses on providing financial services to Albanian micro and small enterprises. FEFAD was established in 1996 on funds of the German cooperation, and was converted into a commercial bank in early 1999.

<sup>9</sup> World Bank, project appraisal document on a proposed credit in the amount of US\$12 millions equivalent to Albania for a microcredit project, May 28 1999

<sup>10</sup> Etimos is a no profit micro finance society composed by fair trade cooperatives, NGOs, associations and religious organizations. It collects savings in Italy through “ethic” mechanisms and invests it in micro credit projects in the developing countries by networking with local partners.

<sup>11</sup> EIU, p. 45

credit service is high: as a matter of fact, the privatisation of the land has produced ownership highly fragmented and consequently the households are unable to approach the commercial banking system<sup>12</sup>.

The increasing importance of the Albanian micro credit institutions emerges also by the “2003-2005 medium-term expenditure framework-MTEF”, a budgetary program prepared by the Ministry of Finance in compliance with the guidelines, measures and prior actions defined in the National Strategy for Social and Economic Development. One of the “priority public measures” foreseen by the program is the “support for the establishment of micro-enterprises through micro-financing projects and the delivery of advisory services” and the “consolidation and extension of credit-cooperatives through establishment of savings-credit associations”<sup>13</sup>.

At the present the three major institutions managing micro-credit and micro-finance in Albania are: the MAFF (Mountain Areas Finance Fund), set up by IFAD (International Fund for Agricultural Development), which controls micro credit organizations (Villages Credit Fund -VCF) in 64 mountain villages along Albania’s Eastern border; the RFF (Rural Finance Fund), set up by the World Bank, which manages Savings and Credit Associations (SCAs) in eight rural districts in the Central Albania; and the Besa Foundation - set up by World Bank as well – that covers eight urban areas (Tirana, Vlore, Durrës, Shkoder, Puke, Berat, Elbasan, Kavaje). VCF and SCAs chiefly finance the agricultural and trade sectors, while the Besa Foundation financing is mainly addressed towards trade (50%), services (33%) and, to a limited extent, towards manufacture. The average per capita loans amount to \$1,100 for SCAs, \$900 for VCF, and 3,000\$ for the Besa Foundation. By way of comparison, it is worth noting that the Fefad Bank, which is one of the few commercial banks granting loans to small enterprises, offers a \$6,431 per capita average credit.

In this respect, it is also relevant to mention the success of other two micro-credit projects: the first is run by PSHM (partneri shqiptar ne mikrokredi), an organisation founded on USAID financing and the second by the DSCAMF (Development of Savings and Credit Association Movement Foundation), on funds of the Irish League. PSHM manages a portfolio of 2.4million\$ and associates 1,800 members; in the last three years it issued 5.000 loans corresponding to a per capita average \$1,402; DSCAMF manages 40 SCAs and involves 2,912 members (220 of whom have loans outstanding). The total savings amount to \$219,000 and the total outstanding loans to \$167,000; the average amount of per capita loans is between \$500 and \$1,000<sup>14</sup>.

As of July 2001, when ETIMOS drew up its report, active micro-credit clients were around 10,540 units, 89% of whom residing in rural and mountain areas.

During the interviews, the officials of the cooperation agencies engaged in micro credit activities stated that their organizations, although not completely self sustainable, present good levels of stability and are strongly rooted into the territory. The solid sense of ownership developed by micro-credit members is probably one of the factors at basis of the very high credit return rate (around 99% in the WB and DSCAMF programs and about 95% for PSHM).

The experience of micro-credit and micro-finance in Albania could turn out to be crucial within an hypothetical circuit of remittances canalisation. As revealed in a study by the NGO PRODEM – present in Bolivia with micro-credit projects – the Micro-Finance Institutions (MFIs) are well suited for providing money transfer

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<sup>12</sup> ETIMOS - Microfinanza nei Sud del Mondo, Rendiconto progetto microcredito a Scutari - Albania

<sup>13</sup> Republic of Albania - Ministry of Finance, p. 49

<sup>14</sup> These figures are referred to March 31, 2002

services because they are distributed in areas where commercial banks are not present; in other words they can reach people that otherwise would not have access to banking services. Besides they are closer to their markets, know the communities where they serve and interact with local residents, who feel at easy working with them. These factors are particularly relevant since – at least according to PRODEM's experience - each region has its own peculiarities and idiosyncrasy, hence the promotion of the financial products and services must be done locally, in the same town where the branch is located. In second place, the stronger ties with the community residents offer the possibility of setting up a relation of security and trust with the clients. Finally MFIs tend to be more socially oriented with the community and usually search for customer loyalty and social impact and work with micro entrepreneurs and small farmers, a segment that has strong links to migrants workers<sup>15</sup>.

In this frame, many of the Albanian micro-credit and micro-finance organizations could be valorised as local agencies of a remittances canalisation process. In particular, as the expert of the Italian association "Microfinanza"<sup>16</sup> underlines, the Besa Foundation could play a strategic role taking advantage of a quite solid internal structure and of its location in high migratory pressure areas like Tirana, Durres and Vlore. Also SCAs could turn out to be suitable actors in policies aimed at enhancing remittances because of their qualification to offer financial products (such as savings and insurance services) that go beyond bare delivery of micro credit. They are volunteer organisations structured according to the model of the Credit Unions and based on the members' capital. They are licensed by the Bank of Albania (BoA) and protected by a law enacted in 1996 and amended in 2001. The single organizations are composed by around thirty people and are widespread over the territory. The management is entrusted to a board (7-15 people) elected by the members that decides on the size of the loans, the return conditions and collaterals. Beyond this board, there is a committee composed by three people exerting a surveillance mandate. The SCAs are co-ordinated by two "SCAs Unions" (respectively set up by the WB and DSCAMF) providing assistance and support to the new SCAs, monitoring the respect of the standards and criteria required by the Bank of Albania, representing the SCAs to the BoA and the government and setting guidelines on credit and on the investment of the surplus generated by savings. As mentioned, since last year the Unions have also been offering life insurance services and are currently working towards providing bankruptcy insurances. 100 SCAs are currently registered by the BoA: 60 were set up by the WB, 40 by DSCAMF and one was recently set up on a spontaneous base. The members are around 6,000.

The officials of the organizations dealing with micro-credit and micro-finance in Albania that have been interviewed, declared that so far they have not carried out policies aimed at channelling remittances (for example through agreements with financial associations in the immigration countries), but they would be particularly interested in the issue. In their opinion, it is not a simple process because the SCAs are quite a recent institution and still in transition; both SCAs and VCFs are often very small and lack the human resources and the capability necessary to launch new products and constitute steady networks among each other. Moreover the privatisation

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<sup>15</sup> PRODEM- Fondo Financero Privado, The role of micro-finance institutions gearing remittances towards productive investments, Geneva, November 2000

<sup>16</sup> Microfinanza srl is a consulting that since 2000 operates both at the national and international level. It deals with rural and urban micro finance; "ethic" finance; finance for development; SME support and internationalisation.

process of the last Saving Bank - where the majority of the micro-credit organization keep their assets deposited and that could constitute a fundamental intermediate step in the circuit of remittances canalisation - introduces new questions because some branches could be closed leaving the corresponding micro-credit associations uncovered. Notwithstanding this, the officials interviewed deem investment in this sector to be strategic; in their opinion, gathering enough funds to maintain the micro-credit activity is actually the key to the sustainability of the organisations they set up, and in this sense a strategy oriented to attract the remittances flow could constitute a tool for ensuring their self-subsistence. Furthermore it could constitute a means for attracting new clients and enlarging the micro-finance field of competence.

According to Pietro Turilli, desk officer for Albania at IFAD, at a first stage remittances should be collected in the Savings Bank and from there branched towards the single micro-credit associations, This process is likely to require a 7-15 days period. In Turilli's opinion, remittance savings formalization should constitute one of the core elements to be pursued. At the present, remittance recipients are inclined to spend the money received for consumption or to save it outside of the official channels; on the contrary, they should be stimulated to deposit it in formal structures and the micro-credit associations could cope with this issue by offering such a service within unbanked areas at an interest rate no higher than the official one (around 4%).

On the base of such evidences it is possible to assess that channelling remittances towards the Albanian micro-finance system can have an enormous development potential. At the same time a number of constraints hinder the fulfilment of such potential. In this regard one should take into account: the little number of micro credit clients (10,540<sup>17</sup> upon a whole population of around 3,000,000 people); the difficulty for micro credit associations to pass from the simple management of local assets to the more complex management of international flows; the lack of human resources, technical capability and cohesion between organizations that can hamper the renewal of the financial products; and finally the high costs involved by a policy of remittances canalisation.

In this context the role performed by the Albanian government and by the international cooperation turns out to be crucial. Such institutes should support MFIs capacity building, implement projects of training and consulting, sustain networks between financial organizations operating in the sending and in the receiving countries and finally funding projects aimed at leveraging remittances and addressing them towards investments.

## **2. CONSTRAINTS AND OPPORTUNITIES OF THE ITALIAN BANKING SYSTEM**

### **2.1 The commercial banking system**

A policy aimed at the enhancement of remittances in Albania is strictly related to the existence, in the destination country, of appropriate structures recollecting and transferring emigrants' savings trough formal channels. For this reason part of the research has been carried out in Italy through interviews to banking sector officers (*Monte dei Paschi Siena, Banca Italo Albanese, Banca di Roma, Associazione Bancaria Italiana, Banca d'Italia, Banca Nazionale del Lavoro*).

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<sup>17</sup> Based on Etimos source.

The pattern of remittances' flow from Italy towards the developing countries has been growing up at a fast pace during the last years: in 1998, for the first time, outgoing remittances exceeded incoming remittances: as shown by the Italian exchange bureau, in 2001 remittances flow reached €m 749.369 recording a 27.4% increase in comparison with the previous year. During the same year per capita remittances grew by the 30% passing from €224 in 2000 to €550 in 2001<sup>18</sup>. The high expansion of the remittances flow during the last year is extraordinary because it didn't correspond to an equivalent enlargement of the regular foreigner presence in Italy - that on the contrary decreased from 1.388.153 units in 2001 to 1.362.630 units in 2002<sup>19</sup> - and should consequently be explained with the enhancement of immigrants' savings capability and with the increased immigrants' propensity to resort to the banking system (as remittances channelled by the private money transfer agencies are not recorded by the Italian exchange bureau). The flow of money from Italy to Albania also increased during the last years passing from €69,000 in 1992 to €2,398,000 in 2002 (table 7)<sup>20</sup>.

Recently a very little number of banks has started to "exploit" these new opportunities defining ad hoc products specifically addressed to immigrant clients. Among the financial institutes experimenting new products one should recall the Banca Popolare di Milano, the Banco Ambrosiano Veneto, the Banca Toscana, the Credito Cooperativo di Roma, the Monte dei Paschi di Siena.

The Monte dei Paschi di Siena has been recently involved in a project run by the Italian NGO COSPE aimed at transferring remittances from Livorno - where there is a strong Moroccan community - to Khenifra in Morocco. The Livorno Monte dei Paschi branch transfers immigrants' savings to a bank in Khenifra where the local micro credit organizations involved in the project keep their current account. In a second stage the money are transferred to the correspondent micro credit organizations located in five villages in the area. The recipients of remittances are not required to open a current account to draw their money so that also unbanked people can be involved in the project. The transfer service is particularly cheap for migrants and its length, that usually is variable, takes an average of 5 days.

These attempts, that certainly fulfil a specific request coming from the territory, are however still sporadic and do not make up a "new trend". The relation between immigrants and banks has been recently studied through two researches carried out by *Lunaria*<sup>21</sup> association and *Giordano dell'Amore* foundation<sup>22</sup> that show how the bulk of the Italian financial institutions still records a strong delay in this sector.

According to the *Giordano dell'Amore* foundation, in 1999 about 1,250,000 (many of them full-time employed) out of 1,700,000 foreigners (both regular and non regular) were unbanked. Among the regular immigrants only one third resulted having access to the banking system.

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<sup>18</sup> Caritas di Roma, *Immigrazione, Dossier statistico 2002*, Nuova Anterem, Roma, p.318

<sup>19</sup> Caritas di Roma, p.78

<sup>20</sup> It must be underlined that since 2002 the National Exchange Bureau ceased to record the transactions lower than € 12,500 into details. As a consequence, migrants' remittances, that usually don't exceed this figure, have to be calculated on the base of estimates.

<sup>21</sup> M. Mazzonis - G. Naletto, *Migranti e banche in Italia e in Europa*, Lunaria, Roma, 2000

<sup>22</sup> R. Libanora, *Immigrati e servizi bancari. Risultati di una ricerca condotta a Roma e Milano*, Giordano dell'Amore foundation, 2002

Udo Enwereuzor in *'Discriminazione e razzismo'*<sup>23</sup>, showed that Italian banks usually are not inclined to focus their services on immigrants clients because:

- Immigrants are perceived mainly as precarious workers
- Their transactions have low imports and high management costs
- The media channelled a widely negative image of them<sup>24</sup>

From the immigrants perspective the relation with the banking structures is made difficult by language related obstacles (the application forms are normally written in Italian) and the excessive amount of papers to be presented in order to open a current account (usually identity card, stay permit, and fiscal code are required; often certificate of residence, pay-sheet, income declaration and guarantees by Italian or foreigner citizens are also needed - table 8). Moreover, immigrants are little inclined to send money through the banking channel because the official exchange rate is normally less convenient than the one they get through informal transactions, and for the reason that those who are supposed to receive the money rarely have access to the local banking system.

However it must be noticed that the above mentioned constraints are not the main ones. The interviews carried out by the *Giordano dell'Amore* foundation with 90 unbanked immigrants revealed that probably the key problem is their perception of banks as alien and unfamiliar entities.

The focus on this distance in the mutual perception of immigrants and banks is important because it indirectly brings into evidence the importance of migrants' communities as possible vehicle of a more fruitful relation.

Better organised communities can play a key role by:

- promoting and informing as to channel a stronger relation and reciprocal trust between community' members and banks.
- lobbying on single banks as to make immigrants community' needs clear and promote the consequent devising of ad-hoc services.

According to Andrea Bruzzichelli, an official of the *Monte dei Paschi di Siena* – groups of banks might jointly set up “dedicated” agencies serving immigrants at the local level. These agencies should offer ad hoc products and services that go beyond the usual competence of the banking system and involve communities' agents and foreigner banks officials. According to the experience of the *Monte dei Paschi di Siena*, the usual marketing campaigns have, in fact, a low impact on immigrant population and every promotional campaign should better integrate instead the local community' leaders; obviously, from this point of view, better organised communities are favoured. At present, the Monte dei Paschi di Siena is preparing for instance a specific services package as an effect of the pressure exerted by the Senegalese community. Another interesting example is provided by the Philippine community, which collects the members' remittances in a single fund and sends them home through a common current account opened at the *Banca Nazionale del Lavoro*. This

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<sup>23</sup> U. Enwereuzor, *Discriminazione e razzismo*, in *Il Rapporto della commissione per l'integrazione*, Il Mulino, Bologna, 2000, pp. 419-450;

<sup>24</sup> Caritas di Roma, *Il risparmio degli immigrati e il paese d'origine: il caso italiano*, Roma febbraio, 2002, p.44

contributes simplifying the practices (both for immigrants and the bank) and lowering transaction costs.

Albanian clients present, from the standpoint of traditional banking institutes, specific problems. On this respect, the interviews to the banks' officials and to the Albanian community' members in Italy, brought into evidence three core elements that make banks little inclined to create ad hoc services for them:

- The general fragmentariness of the Albanian community
- The little amount of remittances transferred to Albania through official channels
- The extreme weakness of the financial and productive environment in the country of origin

### ***The fragmentariness of the Albanian community***

The deep dis-homogeneity of the Albanian community clearly resulted from the interviews to the Albanian immigrants in Turin, Milan and Rome. All interviewees stated that there is a lot of small groups, many of them family-based, which don't recognise themselves only in one specific association or identified leaders. Fixed meeting points do not exist in any of the considered cities. Differently from other communities, the Albanians do not organise themselves in order to send back remittances – for example through informal carriers – but prefer to use the intermediation of relatives and friends who happen to be travelling back home. The fragmentariness of the Albanian community is a constraint to the circulation of information and, as we said, it can constitute an obstacle to the establishment of a smooth relation between immigrants and banks. It is significant to observe that some interviewees didn't even know that banks offered money transfer services.

### ***The little amount of remittances transferred to Albania through official channels***

Another factor that makes banks little inclined towards a policy of remittances' enhancement is the little amount of money transferred to Albania through their channels. As a matter of fact, Albanians, quite exclusively, resort to the informal channels. Some evidences in this respect do emerge from the forthcoming survey carried out by the universities of Ancona, Bari and Pisa - coordinated by professor the forthcoming survey carried out by the universities of Ancona, Bari and Pisa - coordinated by professors O. Barsotti and E. Moretti - on a sample of 105 Moroccans in Livorno and Viareggio (Toscana), 80 Tunisians in Ancona and 145 Albanians in Bari - on a sample of 105 Moroccans in Livorno and Viareggio (Toscana), 80 Tunisians in Ancona and 145 Albanians in Bari<sup>25</sup>. Significantly the 90% of Albanians (against the 20% of Moroccans and the 10% of Tunisians) resulted being used to send money home through friends and relatives.

Another research, carried out between December 1997 and September 1998 by S. Strozza and M. Natale<sup>26</sup> of the Rome university "La Sapienza", produced analogue results. Out of a sample of 1,700 immigrants (Albanians staying in Rome and Campania, Moroccans staying in Rome, Campania and Veneto, former-Yugoslavs

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<sup>25</sup> O. Barsotti, E. Moretti (edited by), *Rimesse e cooperazione allo sviluppo*, F. Angeli, Milano, 2003 (forthcoming)

<sup>26</sup> M. Natale e S. Strozza (edited by), *Lavoro, reddito e rimesse degli immigrati stranieri in Italia: finalità, progettazione e realizzazione di un'indagine sul campo*, in N. Acocella e E. Sonnino (edited by) *Movimenti di persone e movimenti di capitali in Europa*, Roma 2003 (forthcoming).

staying in Rome and Veneto and Polishes staying in Campania and Rome), the 78.8% of Albanians (against the 43,0% of former-Yugoslavs, the 64,3% of Polishes and the 35,8% of Moroccans) declared resorting to informal channels for sending remittances home (table 9).

The scarce percentage of money transferred to Albania through official channels makes banks little interested in investing in the Albanian remittances market by creating a safer, speedier and more widespread transaction mechanism, developing ad hoc products aimed at attracting new clients, undertaking special marketing campaigns or setting up agreements with local institutions or cooperation actors aimed at leveraging remittances and addressing them towards investments or social activities. At the same time the scarcer is the banks' commitment in such policies the bigger is the Albanian emigrants' tendency to resort to the informal channels or to private money transfer agencies like the Western Union. A vicious circle seems to be created, as confirmed by the responsible for the Italian-Albanian Institute (which channels about the 90% of the Albanians' remittances going through the banking system). The Italian-Albanian Institute official underlines that because of the scarcity of the remittances flow passing through their channels, the bank he represents is not interested in expanding a money transfer service that already results to be little profitable and entailing high management costs. Moreover at least in the 50% of cases bureaucratic difficulties affect this kind of transactions (for example whenever the sender writes incorrectly the receiver' address the money are sent back to Italy and then remitted again to Albania with the effect of tripling the transaction costs and adding uncertainty because of the frequent residence instability of the clients). Consequently a policy aimed at intercepting the remittances market results currently not convenient for commercial banks.

### ***The extreme weakness of the financial and productive environment in the country of origin***

Finally, the weakness of the financial and productive environment in Albania - or even more the perception of such weakness - constitutes a further inhibiting factor for Italian banks' to invest in the country. The opinions recurrently expressed by the interviewees can be synthesized in the following three points:

- First of all, scarce reliability: investments in Albania are judged risky because of the high rate of non performing loans and the danger of money diversion. The interviewed banks' officials also think that the Albanian institutes could not comply with the signed agreements and that their structural weakness would create several complications (for example delays in the distribution of the money transferred to Albania).
- Secondly, security: banks are worried about possible money recycling through their channels and more in general about the weakness of the regulatory framework and the little enforcement capacity of the juridical structure.
- Finally, the backwardness of the productive sector and the little development of trade links with Italy make Italian banks little inclined to invest in Albania. The majority of the banks' official interviewed deemed inconvenient setting up new branches in Albania because the starting up costs would be high due to the lack of adequate infrastructure and wouldn't be compensated by the benefits offered by the local productive market. Significantly, a few months ago (June 2000), the two Italian banking institutes – *S. Paolo IMI* and *Banca Intesa* – that were candidate to the

purchase of the Savings Bank, gave up because of the excessive management and restructuring costs involved.

## **2.2 The Ethic finance circuit: a possible alternative?**

In Italy, as in Albania, the financial frame is made broader based due to the presence of ethical finance institutions aimed at reaching shares of the population traditionally not included in the financial services devising. I'm referring to people too poor and marginalized to satisfy the collaterals required by the traditional banking system. As we have seen this share of people is made up by immigrants to a large extent and this is why a part of my research has been focused on interviews to Ethical finance officers (*Banca etica, Banche di Credito cooperativo, MAG 2*) and to associations dealing with these issues (*Etimos, Microfinanza, FIBA- Federazione Italiana Banchieri e Assicuratori*).

At present, as was said before, ethical finance includes immigrants within the range of clients on whom operations should be focused. However, these are only seen as part of a complex of "new poor" which is certainly a much wider issue. At least in Italy, this means that there is at present no tendency towards establishing standard measures based on the specific needs of immigrants. However, there are some rather different local situations where pilot financial products aimed at formalizing immigrants' savings have been set up based on specific requests coming from the territory.

A significant case is that of Banca Etica (Ethical Bank) of Padova which - on the basis of a proposal by the ONG ACS-Associazione Cooperazione allo Sviluppo - has declared itself ready to open a single current account to channel the savings sent home by the Bengali community at a lower than average cost. In this project, rates would be further reduced thanks to the contribution of the Italian Federation of Bankers and Insurers (FIBA) of Padova. The amounts sent by the individual immigrants would be recorded and faxed to the local bank taking part in the project so as to allow the recipient to pick up the amount due to him or her. A similar project has been developed by the BCC (Banca di Credito Cooperativo - Co-operative Credit Bank) of Treviglio in partnership with the ONG ACRA in order to channel the savings sent home by the Senegalese community resident in Milan and Bergamo. Other interesting projects have been developed on a local level in order to respond to the needs of immigrant clients on the territory by the BCC's of Geradadda, in the province of Treviso, by the BCC of Treviglio mentioned above, and by the Federation of BCC's of Reggio Emilia. These projects are based on the idea of offering services with especially favourable conditions to non-EC nationals working and living with regular permits in Italy. Such services include the opening of current accounts, loans for buying a first house, personal credit and the purchase of insurance products. Some BCC's have also offered reduced rates for travelling back home, free use of Internet, renting flats at controlled prices, promoting the professional training of some young people. In partnership with the provincial authorities of Treviso, the local BCC has made available five employment opportunities, while a factory working in the area covered by other local BCC's has employed thirty-two immigrant workers. In certain cases, agreements have been made with Western Union in order to facilitate sending savings back home.

These examples show how ethical finance banks can become potentially very important actors within the framework of strategies aimed at providing value to savings sent home, not only showing their sensitivity to social needs arising within the territory, but also their concern for the needs of immigrant clients.

Even more interesting is the close relations which these banks could set up with the country of origin of the foreigner communities in Italy and the support they could provide to the associations of micro-finance operating locally. The importance of a network of this kind becomes obvious if we think – as was said before – of the decisive role which MFIs can play in developing countries. An example of this is the involvement of the Co-operative Credit with a project in Ecuador aimed at providing help and support for Codesarollo, a co-operative based on 800 local Rural Savings Banks. Co-operative credit provides technical help and credit at facilitated rates (a credit line of 1.210.000 dollars at 4% has been made available for three years by thirteen BCC's); underwrites “donation” shares (these currently amount to a total of 50.000 \$); gives publicity to the spirit and contents of the agreement, also in order to invite others to underwrite shares. This initiative has involved other partners, including CTM Altromercato and Banca Etica.

Banca Etica also supports micro-credit in PVS, generally with support from Etimos, whose final goal is to set the conditions for channelling funds towards micro-finance organizations. With funding by the regional governments of Tuscany and Emilia Romagna, in Albania for example Banca Etica and Etimos have granted PSHM (mentioned in the previous chapter) the amount of USD 20.000. The project – which was completed in May 2002 – has made it possible to grant 314 loans, for an average value of 1.294 USD for an average duration of 11.5 months. This project is supposed to be launched again through a fund (also amounting to USD 20.000) which the regional governments of Tuscany and Emilia Romagna will make available to PSHM as a guarantee fund. Thanks to this fund, 150 new small entrepreneurs will be able to have access to credit if assessed favourably. In this project, each entrepreneur must pay a share into the guarantee fund; also, for each dollar provided by co-operation, PSHM will allocate three for the loan.

The majority of measures taken to favour micro-credit are funded by ethical banks through savings deposits and the establishment of special guarantee funds. Such policies generally use savings of Italian clients but miss the opportunity of engaging the immigrants diasporas as active financial agents. The following analysis provides a summary description of some of the main tools used in this field by the ethic finance institutions and show how some of these products could be funded with immigrants savings.

### ***Operations on ordinary deposits***

Banca Etica supports micro-credit in PVS, allocating part of the savings deposits to this sector. The investors have the opportunity of specifying their preference concerning the destination of funds, choosing one out of four alternatives identified by the bank: “social co-operation”, “international co-operation” (this includes funding micro-credit operations), “environment” and “cultural and civil society”. The same procedure has been used by some local BCC's to fund the project in Ecuador.

### ***Deposit certificates***

In order to support micro-credit operations in PVS, Etimos asks ethical investors who have their account with Banca Etica to underwrite the deposit certificates of the “Micro-credit – Etimos” fund with Banca Etica. Deposit certificates are a kind of investment which allows the investor to tie up his or her savings for 12 or 24 months without any cost. The minimum amount is 1000 Euros; the interest rate is 1% and the capital is paid back in full at the due date. Banca Etica offers Etimos a considerable reduction of the interest rate - in comparison with the market rate - on the total value

of the deposit certificates underwritten. This way, Etimos can reduce the average rate of the financing it provides, entirely to the advantage of the organizations of the southern hemisphere. A large part of the credits are granted to solidarity groups: three to five people who get together and take on mutually liability for the debt which they have contracted.

### ***Establishment of guarantee funds***

The establishment of “ethical” guarantee funds is a crucial factor, not only because it enables access to credit by a greater number of people, but also because it makes it possible for ethical finance institutions in Italy to extend loans at facilitated rates of interest. For every two Euros granted as a loan, Etimos, for example, has to ask for one Euro to guarantee the return of the credit. However, not every beneficiary is able to provide his or her own guarantee. This is why there are specialized organizations providing this service, which however ask for a commission equal to 3.5% of the value guaranteed, and this of course is a further cost for partners in southern hemisphere countries. To solve this problem, Etimos calls on Italian citizens to involve themselves directly as guarantors for the micro-credit, covering the payment when unexpected events prevent the partners from returning the loan.

According to the representatives of Etimos: “The establishment of guarantee funds of this kind make it possible to multiply the credit extended to small enterprises in the developing countries. In fact, those who deliver the loan are guaranteed by the guarantee fund which cover a large part of the loan, while those who ask for the loan can obtain it with greater facility thanks to this greater coverage. It has been estimated that 3 euros are delivered as a loan against every euro guaranteed”.

Another system developed by certain BCC’s is based on the difference between interest rates. The investors are offered very low interest rates of 1% on their deposits, while the loan is granted at an interest rate of 3.5%; the difference is allocated to a guarantee fund supporting the micro-credit. According to Marco Parolari of the BCC of Treviglio “this is a perfectly sustainable measure, since the return of the credit is generally more than 98% and also the funds allocated as a guarantee stay within the territory covered by the local BCC”.

Attracting migrants savings towards the financial products that have been thus far tried out would give to the Ethic financial institutes the opportunity to indirectly valorise them for the development of the origin countries. Of course, such products should be adapted to the specific need of these customers. For example one could notice that migrants could be little inclined to keep their money in the Ethic financial institutes’ current accounts because the interest rate is lower than the one provided by the commercial banking system. Moreover, single immigrants could be little sensitive towards initiatives aimed at developing their homeland due to the lost of linkages with their origin villages and to the strong difficulties to manage their present life in the host country.

The BCCs and the Banca Etica could overcome this constraints by including the service of current account in a wider package of products similar to the ones promoted by the BCC of Geradadda, Treviso, Treviglio and Reggio Emilia. The low costs charged and the reduced collaterals required could be other factors attracting the immigrant customers. Finally, the smooth relation between the Ethic finance institutes and the NGOs working on the territory would make it possible to reach directly the immigrants’ communities, create a relation of reciprocal trust and set up projects for jointly defining immigrants’ needs and corresponding strategies.

Another policy could be aimed at encouraging the immigrants hometown associations to collect money and allocate them in special *Deposit certificates* or *guarantee funds* harnessed to support the country of origin MFIs and to create new job opportunities in origin towns and villages.

As the transfer service is concerned, the ethical finance institutions note that it is especially difficult to channel savings remitted by immigrants, because of the unreliability of local banks which often keep the money for days and apply exchange rates which are disadvantageous for the beneficiaries of the transfers. However, the interest exists to develop pilot projects with local banks under special agreements (as has been seen, a few of these are already underway), and in the future development of the network of relations with micro-finance institutions in the PVS is expected in order to facilitate channelling the sending back home of savings.

According to Marco Parolari, a policy for channelling such savings based on cheap transaction costs and at favourable rates of exchange would actually be to the advantage of BCCs, since it would attract a new range of clients who are very much part of the Italian labour market and who therefore need to access banking services. Should a policy of this kind be introduced throughout Italy, immigrants could obtain the same service from 3,550 tellers throughout the country. This would lead to economics scale reduction of costs and would facilitate promotion of the initiative by word of mouth among the immigrants themselves.

According to Fabio Malnchini of “Finanza Etica ” a transfer services which the immigrants find reliable and which can ensure quick service and a sufficient distribution throughout the country would meet with an open market, due to the lack of any real competition in this field and to the strong local demand. F. Malnchini also believes that the risks associated with informal channels would drive immigrants to make use of this kind of service even without any further incentives. Policies aimed at leveraging remittances gearing them towards savings or investments in the country of origin could further incentive migrants to use the formal channels but one should not make the mistake of forcibly associating such measures to the mere service of money transfer.

The officers of Banca Etica, of Credito Cooperativo and of Mag <sup>27</sup> who were interviewed, while confirming the importance of avoiding forcible links between measure aimed at transferring remittances and policies aimed at gearing them towards investments and deposit in the countries of origin, believe that the institutions that they represent could pursue policies aimed at channelling immigrants’ savings towards investment in their country of origin. Immigrants could for example be helped to set up businesses which could be managed by relatives in the country of origin. Ethical financial institutions could assist by evaluating the project, providing personal credit or setting themselves up as guarantors. A strategy of this kind could be associated with the migratory project of people who do not intend to go back home, but would be willing to invest part of their savings in their country of origin. A different way of implementing the same strategy – as hypothesized by the representative of Banca Etica – could involve the immigrants themselves as

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<sup>27</sup> MAGs (Mutua Auto Gestione) are cooperative societies providing micro-loans and consultant services to no profit organizations in Italy. The first MAG was founded in 1978 in Verona and currently other MAGs are operating in Venezia, Udine, Padova, Milano and in the regions of Reggio Emilia and Piemonte.

guarantors of the investments of their relatives who have stayed in the country of origin. The credit for the investment could be provided by local micro-credit institutions networking with ethical finance institutions in Italy. Measures of this kind would have the multiplying effect mentioned before, but would also have the advantage of respecting the idea of making the recipients of the loans take on responsibility, something which the micro-credit organizations intend to promote among PVS. Policies of this kind could easily be adopted by ethical finance institutions, since they would make it possible to keep the resources within the territory covered by such institutions, and would make use of a range of practices which – as we saw before – have been fully tried out<sup>28</sup>.

### **3. THE ALBANIAN COMMUNITY IN ITALY**

Analysing the opportunities implicit in the remittances flow from Italy to Albania should entail taking into account how the Albanian community in Italy does feature. Actually the degree of immigrants stabilization and integration in the receiving country, their relation with banks and financial institutes, their linkages with the homeland and their propensity to invest there, are all factors affecting, sometime in a controversial way, the entity and the feature of the remittances flow. The ensuing analysis, that is the result of qualitative interviews to the Albanian community in Rome, Turin and Milan, will consequently deal with all this factors.

#### **3.1 An incomplete integration**

During the last ten years, Albanians have received large coverage in the representation of the Italian media and their image has largely been associated with criminality and moral decay. Albanians are usually regarded as particularly unreliable, precarious and marginalized within the Italian society and this is one of the reasons lying in the mistrust accorded to them by many banking institutions. A quite different picture emerges from the analysis of some figure that show how, after almost a decade, the Albanian community appears to be more steadily rooted into the Italian social and the economic context<sup>29</sup>. There has been a gradual ageing of the first generation of emigrants and no relevant flows of emigrants returning to Albania. Many Albanians achieved a deeper inclusion in the Italian labour market and settled in the host country with their families.

Between 1995 and 2000 Albanians featured a percentage of permits issued for labour higher than the average (the 62.8% against the 60.62% - table 10). Moreover at the end of 2001 Albanians' engagements were first ranking among the overall foreign community (overcoming Moroccans' as well) and were also proved to be more stable. In the considered period 47,035 engagements, 37,348 discharges and a 9,687 units balance were recorded for Albanians, while Moroccans featured 46,344 engagements, 39,929 discharges and a 6,415 units balance<sup>30</sup>.

The gender structure can be considered as another key indicator of the Albanian community stabilization process. Corrado Bonifazi and Dante Sabatino, in a still unpublished paper concerning the Albanian Migration to Italy, underlined how in the

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<sup>29</sup>F. Piperno, *From Albania to Italy. Formation and Basic Features of a Binational Migration System*”, background paper for the CEME (Cooperative Efforts to Manage Emigration) visit to Italy and Albania, May 2002.

<sup>30</sup> Caritas 2001, p. 256.

early 1990s, Albanian immigration was formed above all by men, with women totalling barely 14% of the total, an unmistakable sign of a highly unbalanced composition and of a phenomenon still far from having reached a stable and final pattern. In a few years, the situation has changed radically although not completely. Albanian women have, in fact, almost always shown higher growth rates of men, now representing over one third of the community. Considering the permits to stay, in 1992 they were the 22<sup>nd</sup> female community while in 2000 they ranked at the top, before Filipino and Moroccan women<sup>31</sup>.

Albanians' tendency to re-create family groups and to permanently settle down in the host country is confirmed by the high number of married people (79,003, or the 55.6% of the Albanian community, against an average of 48.6%). Unmarried persons are only the 39.9%: two out of five. Between 1995 and 2000 permits for family reunion granted to Albanians featured a higher percentage than the average (30.2% against 25.6%-table 10), and at the end of 2001 the percentage of Albanians staying for family reasons were 5.5% point more than the average<sup>32</sup>.

Another indicator that should be considered is the extraordinarily high rate of school enrolment. Albanians stand out among the immigrant communities also for having a particularly high percentage of people with children: 29,290, or 20.6% upon an average of 14.2%<sup>33</sup>. Between 1995-1996 and 2000-2001, Albanians' enrolment rate grew at a double pace than the overall immigrants' average (+ 600%). Albanian pupils increased by an average 5,000 units per-year, outstripping Moroccan pupils whose enrolment rate had risen by the 301% during the considered period (a little more than the national average – table 11)<sup>34</sup>.

Finally I would like to underline how during the interviews many Albanians declared that they and their country fellows are not wishing to return; on the contrary they are projected towards the insertion in the receiving society as shown by the high number of Albanians purchasing a flat in Italy. This notwithstanding Albanians continue to find hard to achieve a deeper social and cultural integration and to feel themselves victims of a biased negative image.

The interviewees' perception of their cultural marginalization has been confirmed by several researches that brought into light how Albanians – also due to the wide coverage they received by the media – resulted among the foreign groups more strongly stereotyped and stigmatised. It could be interesting to note that a recent quantitative surveying of the recurrent language in the newspaper titles and articles revealed that “Albanian”, “immigrant”, “arrested”, “public force”, “clandestine”, “extracomunitari”, “drugs”, “Moroccan”, “refugee” and “away”, are the ten most frequent words used to describe migration-related events<sup>35</sup>. By the time, those

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<sup>31</sup> C. Bonifazi and D. Sabatino, Albanian Migration to Italy: What Official Data and Survey Results Can Reveal, Institute for Research on Population and Social Policies – National Research Council, Rome, paper presented at the international conference on Albanian migration and new transnationalism, 6-7 September 2002.

<sup>32</sup> Caritas di Roam 2002, p. 98.

<sup>33</sup> IOM, 2001, p. 14.

<sup>34</sup> IOM, 2001, p18.

<sup>35</sup> N. Mai, Myths and moral panics: Italian identity and the media representation of Albanian immigration, in R.D. Grillo and J. Pratt (edited by), The politics of recognizing difference: multiculturalism Italian style, Aldershot: Astigate, 2002, pp. 84-85. The analysis reported is referred to a research carried out in S. Stoppiello, *Nomi e immagini dell'altro. Un'analisi multidimensionale della stampa*, Studi Emigrazione, XXXVI, n. 135, pp. 417-443.

dynamics have favoured the diffusion of a 'common sense' perception that has made many people easily inclined to identify Albanians as criminals and untrustworthy.

As remittances are concerned there is evidence that Albanians tend to send home large amounts of money (this tendency does not come out of official figures because of the widespread use of informal channels). Within the inquiry coordinated by S. Strozza e M. Natale Albanians resulted first ranking among the other communities considered with regard to the annual average remittances amount (2,852<sup>a</sup> against 2,262<sup>a</sup>, 2,762<sup>a</sup>, 2,291<sup>a</sup>, respectively sent by former Yugoslavs, Polish and Moroccans - Table 12). Also from the research coordinated by O. Barsotti and E. Moretti, Albanians resulted first ranking among the other communities as the annual average remittances amount is concerned, although the figures are quite different from the ones mentioned above, i.e. € 349 against € 270 by Moroccans and € 249 by Tunisians.

Moreover from the research coordinated by S. Strozza e M. Natale<sup>36</sup>, it emerged that the percentage of Albanians sending remittances home ranks second, after Poland, among the communities considered. As shown by the table (table 13), 35,8% of Albanians against 30,7% of former Yugoslavs, 46,3% of Polishes and 31,9% Moroccans send remittances home. Albania result first ranking if we consider only males sending remittances home: in this case the percentages are respectively 41,4, 34,5, 36,2 and 33,9. This phenomenon could be explained with the fact that many Polish women are engaged as domestic workers and live in the flats where they work diminishing their life expenses and increasing their saving capacity. Moreover, as a matter of fact, between 1992 and 2000, Albanian women received a high number of permits for family reunion but showed a much lower percentage of labour permits, with 27,1% compared to 38,6 and 45,7% respectively belonging to Eastern Europe countries and strong migratory pressure countries<sup>37</sup>. This trend clearly affects negatively their saving capacity.

Finally in the research coordinated by Strozza and Natale the Albanian community featured the lower ratio between 'remittances flows and saving capacity: the 64,9% of the workers who manage to save send money home. The figure related to immigrants from ex-Yugoslavia, Morocco and Poland correspond respectively to 54,7%, 64,0%, and 59,2% (table 13).

From all this evidences it emerges that, notwithstanding a persistent cultural prejudice, the majority of Albanians staying in Italy is not composed by short time immigrants but by citizens steadily settled in the recipient country: many of them work, receive a regular wage, save and invest in Italy and remit quite large sums of money to Albania. They consequently need to access to the banking system and could be good clients for the banks.

In the following part, I would like to highlight some elements concerning the economic and social behaviour of the Albanian workers in Italy, pointing out some potentially encouraging prospects for a policy aimed at enhancing remittances in Albania. The Albanians' attitude towards financial institutions in Italy and in their own country, as it emerged from the interviews, will be analysed. The study will also

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<sup>36</sup> C. Conti, M. Natale e S. Strozza, *Le rimesse degli immigrati: determinanti, modalità di invio e aspettative di impiego*, in N. Acocella e E. Sonnino (a cura di) *Movimenti di persone e movimenti di capitali in Europa*, Roma, (forthcoming).

<sup>37</sup> Corrado Bonifazi and Dante Sabatino

point out what could motivate Albanians to remit through formal channels and which is Albanians' degree of interest in saving and investing their money in their homeland.

### **3.2 Aspects of the economic behaviour**

Nobody of the Albanians I interviewed uses banks for sending money home. The high transaction costs involved in the process, the unfavourable exchange rate, the excessive length of the operation, the scarce diffusion of banks in the Albanian country and finally uncertainty about the successful outcome of the process, are some of the main factors hampering the resort to formal channels. The crisis of the pyramidal schemes in 1997 that in a few days cancelled the savings of thousands people (most of which deriving from remittances), the backwardness of the Albanian financial system and the ongoing process of bank privatisation, constitute further reasons for persistent mistrust in the Albanian banking institutes. More in general, the core question is that banks are perceived by immigrants as absent: an "empty space" within the Albanian frame. Notwithstanding the existence of a "correspondent banking institutes" system (we mentioned it in the previous paragraph), that should allow immigrants to remit from every bank in Italy towards every commercial bank in Albania, many interviewees declared that the banks in Albania do not exist, with the only exception of the Italian-Albanian institute.

Roland Seiko, belonging to the editorial staff of the Albanian newspaper "Bota Shqiptare" also underlines that commercial banks appear alien to Albanian immigrants. On the contrary, private money transfer agencies, as Western Union and Money Gram, have learnt how to set up a smoother relation with their immigrants customers: they establish personal relations with the leaders of the foreign communities, offer social services that go beyond bare money transfer devising, organise cultural events, set up their centres in the immigrants' meeting points and also keep their tellers open on evening. The sponsorship achievable through these measure can be strategic in attracting those communities that, like the Albanian one, are little used to resort to traditional private and public institutes in order to get services and information. In this regard, it could be interesting to point out some results of a research carried out by the group Inte.Mi.gra and published in the last Caritas report. As shown on the table (table 14) Albanians have a very scarce propensity to resort spontaneously to official agencies (such as trade unions, public services, embassies, private services, banks and insurance agencies) and of course, this could constitute a further cultural constraint.

This picture reveals how strategies aimed at diverting the remittances flow from informal to formal channels will not be easy. Moreover the geographical vicinity of Italy to Albania will anyway make a part of the Albanian community inclined to take money personally or to send it through relatives or friends.

Notwithstanding this, during the interviews, I was surprised to note that in spite of the difficulties implied by the resort to the banking system and the apparent simplicity of taking money to Albania by hand, many Albanians are willing to use the formal channel for remitting their savings.

According to Joka Dava and Aldo Damato of the Skanderbeg association in Milan, Albanians use informal channels out of need and not by choice; as a matter of fact, taking money by hand is highly risky: the money can be stolen or be confiscated at the border stations. Moreover there is a question of privacy: people would prefer not to bother their fellow countrymen who happen to be going back and at the same time they would like not to let them know the amount of their remittances. Rando Devole,

author of “La Scoperta dell’Albania” and a keen observer of the Albanian society, points out how immigrants are often unable resort to friends and relatives for sending money home because they do not have close relations in the receiving country or because there are quite long periods in which nobody happens to go back. Finally it is worth noting that many immigrants also need to resort to the official channels because the migration law requires the receipts of the related transactions as a formal precondition for the issuing of family reunion permissions.

As a result, policies aimed at channelling remittances through formal channels would answer to a real and grass-rooted requirement and would also meet with an open market as many Albanians cannot resort to the money transfer agencies because of the high transaction fees charged. The lack of habit of resorting to official channels, the mistrust in the local banking system and the general lack of knowledge about MFIs in the country of origin are offset by the real need of sending money through official channels and could consequently be partially overcome by strategies implying a good information campaign.

Moreover policies aimed at transferring remittances through official intermediates could interplay and be enforced by practices encouraging the use of remittances for productive investments or savings capitalization. A 1998 survey coordinated by D. Kule, H. Mancellari, H.Papapanagos, S.Qirici and P. Sanfey on a sample of 200 Albanian firms and 1,500 individuals confirms that although half of the money sent home by immigrants is used for consumption goods, a significant part is saved or invested in a variety of sources, including property and financial institutes. As showed by the table (table 15) about the 14% of remittances resulted to be invested in commercial business (5.18%), productive business (1.28%), agricultural business (0.96) and property (7.00%)<sup>38</sup>.

After 1998 this tendency has probably been strengthened as the Albanian economic revival created new investment opportunities (in 2002 about 62,000 small business were registered in Albania<sup>39</sup>). As a matter of fact, all the immigrants that I interviewed declared that more and more Albanians invest in their country of origin and namely in the sectors of trade (often between Italy and Albania), construction<sup>40</sup>, agriculture and services, while the manufacture remains less developed. Most of them also declared that the bulk of their country fellows that have emigrated in Italy and now wish to invest in Albania, prefer to finance their business from the host country and let their relatives to run it. According to Kastriot Shehi, emigrated in Italy since 1992, it is quite rare for an immigrant to send money to his siblings as sunk capital: more often he prefers to invest them and share the profits.

In general, there was a widespread agreement in considering as attractive for immigrants measures aimed at supporting the investment of their savings in Albania. Such measures could include credit and guarantee policies set up by ethical finance institutes possibly in network with local MFIs and matching-funds issued by the donors and the Italian national and decentralized cooperation.

In Rando Devole’s opinion, immigrants are good entrepreneurs and consequently sensitive to policies stimulating investments, while according to Roland Seiko strategies supporting investments in Albania would not start a process from scratch

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<sup>38</sup> D.Kule, H.Mancellari, H.Papapanagos, S.Qirici, P.Sanfey, *The causes and consequences of Albanian emigration during transition: evidence from microdata*, International Migration Review, 36 (1), Spring, 2002, p.235.

<sup>39</sup> Commission of the European Communities, p. 25

<sup>40</sup>This trend is confirmed by some evidence emerging from the 2002 EIU Country profile (p. 33):the construction sector grew by 15% in 1999, 18% in 2000 and by an estimated 15% in 2001.

but on the contrary would strengthen and valorize an already existent reality; the interest in investing in the homeland is often stronger than the mistrust in the banking system and already leads many Albanians to overcome their resistances.

Also policies aimed at stimulating savings could be welcomed by the Albanian community. The research carried out by S. Strozza and M. Natale showed that a high percentage of Albanians (26.3% against 12.7% of former Yugoslavs, 21.8% of Poles and 19.4% of Moroccans save the remittances in the country of origin (table 16). Interesting results in this regard emerged also from the research coordinated by D. Kule, H. Mancellari, H.Papapanagos, S.Qirici and P. Sanfey that highlighted that 15.98% of remittances sent to Albania in cash was saved in bank (table 15 ). Finally, one should notice that according to the figures provided by the Bank of Albania (BoA), that during the transition decade the level of deposit constantly increased passing from 11.6 mld leks in 1992 to 220.3 mld leks in 2002 (table 4).

The immigrants that I interviewed declared that progressively more and more Albanians staying in Italy are able to save money and that a significant number of them would be interested in some sort of financial incentives that would help them increase their capital. Higher interest rates, for instance, would persuade many Albanians to deposit their money in formal institutes (also in Albania). When I asked them how policies aimed at leveraging remittances addressing them towards local investment and savings could cope with the persisting mistrust in the banking system, the bulk of them answered that the strong interest in investing and saving money was already leading many Albanians to overcome such resistance. Moreover the involvement of Italian financial institutions and development cooperation agents in strategies of this kind could constitute a further element of attractiveness due to the higher reliance accorded by Albanians to foreigner actors.

### **3.3 Aspects of the social behaviour**

Immigrants' propensity to send and valorise remittances can be heavily affected by a number of social behaviour patterns taken on in the recipient country: for example, the degree of social organization, the migratory plan and the linkages with the homeland are some key determinants in this domain.

The existence of immigrants' hometown associations (HTA) in the receiving country, have proven to be crucial in the process of remittances canalisation and enhancement. This is due to a number of reasons, such as the capability of associations to promote banking services among their members and to lobby with individual banks in order to get better conditions for remittances canalisation (for example common current account). Furthermore immigrants' associations can act as promoters of local development by collecting voluntary donations among their members to finance social investment projects in their native towns as for example small size infrastructure (roads, water and sanitation systems, health clinics, schools and churches).

In this regard, the fragmentary nature of the Albanian community (see paragraph 2) is certainly a constraint. As the Inte. MI. Gra report reveals (table 17), Albanians show a trend towards assimilation in the recipient country: they resort to Italian friends in order to get help and information in a much higher percentage than the average of the other immigrants' communities, but on the contrary they demonstrate scarce propensity to constitute themselves as a collective with specific requirements (they resort to their home town associations and to their country fellowmen less than the average) and consequently they are little able to lobby with Italian and Albanian institutions to achieve specific objectives. This situation entails that any strategy aimed at channelling and valorising remittances, even if it can be welcomed by the

Albanian community, must be promoted by an external agent (development cooperation or ethic finance organizations). The support of NGOs working on the field and able to be trusted by immigrants can turn out to be critical.

The promotion of the initiatives can occur by word of mouth and by the support of single members, particularly acknowledged among the Albanian community, who seem to be better capable than local groups of taking up a promotional function and to maintain a closer relations with the Italian institutions. In many cases they are intellectuals or cultural mediators belonging to a fairly integrated middle class, generally interested in working on social issues and strongly linked to the community of origin.

Furthermore, it is worth noting that cases of spontaneous money collection for local development already occurred among the Albanian community. During the last years Albanian associations in Rome and Milan pooled money in support of Kossovian refugees, for building some school in the north of Albania and for sustaining associations working in the social field. Another interesting example has been the attempt by a group of Albanians living in Cernusco sul Naviglio (Milan) to finance the building of some roads in the town of origin (Mirdita); however, currently the project has not still been successful because the promoters have not found suitable intermediaries and they are not able to manage the project from Italy. Of course, these cases are not part of a common practice; for example, it is relevant to note that the attempt carried out by the Albanian association "Iliria" aimed at setting up a financing fund for building small sized infrastructure in the sending country with a members' contribution equal to the 3% of their wage, was not approved by the associates.

Notwithstanding this, widespread interest in policies aimed at leveraging and channelling funds pooled by the associations has been shown to exist. Some of the associations' leaders declared that initiatives of this kind would be practicable and welcome. The problem is that in most of the cases Albanian associations cannot rely on a network of people in the country of origin able to manage the investment on the field and to keep close relations with their associations in Italy; moreover, they lack suitable referents among the Albanian institutions and the organised civil society and are not aware about the opportunities of investment in the homeland. In this context, the Italian national and decentralised cooperation and the NGOs could play a key role in overcoming such difficulties thanks to their double commitment both in the origin and in the receiving country. They could facilitate the definition of the development projects, act as intermediaries between the HTAs and the local referents and eventually facilitate the Albanian associations' access to credit by setting themselves up as guarantors.

Other interesting schemes could regard the utilization of matching funds: for every euro collected by the Albanian community for local development, the development cooperation could allocate an additional and proportional sum, offer technical assistance and facilitate the money transfer towards the village where the project should be accomplished.

Schemes of this kind have been already carried out by some sending countries. As reported by P. Martin and T. Straubhaar in a recent number of *International Migration*: "sending countries governments can encourage and channel remittances investments, as Mexico has done by encouraging hometown associations formed by Mexicans in the US to remit collectively for infrastructure projects in their areas of origin, a form of voluntary taxation, and then match these remittances to create jobs in emigration

areas. (...) In the West central Mexican states from which many migrants come, there seems to be a high level of satisfaction with the 3-for-1 programme – each dollar contributed by migrant or home town clubs in the US for infrastructure projects such as paving streets, is matched with three additional dollars, one each from the federal, state, and local governments<sup>41</sup>.

In Albania, given the weakness and the financial constraints affecting the public institutions both at the national and the local level, similar matching funds could be provided by the Italian national and decentralised cooperation. At the same time, the Albanian institutions should be involved in these schemes through ad hoc programmes of capacity building.

The presence of migratory chains between the origin and the destination countries makes immigrants further sensitive towards development projects to be carried out in their villages of origin. For example, in Cernusco sul Naviglio there are many Albanians from Mirdita, Scutari, Puka and Durazzo (in the north of the country); in Cassano d'Adda (Milan) immigrants from Puka, Mirdita and Durazzo; in S. Angelo Lodigiano (Lodi) many people come from Lac and Valona and in Codogno (Milan) from Berat. Other migratory chains link Rimini with Durazzo and Valona and Cuneo (near Turin) with Scutari. It can be assumed that the presence of such migratory chains, besides supporting the continuity of the relation of immigrants with the communities they come from, offers the opportunity to influence the migratory process by defining specific areas where to focus pilot interventions.

Another relevant aspect that would deserve specific attention is the persistent link between Albanian immigrants and their homeland. The presence of a strict relation constitutes, as far as this issue is concerned, a particularly important feature as it contributes to strengthen and stabilise the remittances flow and can favour the consolidation of a social network that can be likely to trigger and channel local investment projects.

Research has shown that commonly at the beginnings of the migratory experience, the economic precariousness of people and the related difficulties in saving money largely reduce remittance flows. At a second stage migrants, progressively more integrated into the labour market, are able to send home a larger share of their earnings. Finally, at a third stage migrants are often joined by their families, and they try to stabilize and upgrade their standard of living: this is likely to weaken the relation with the homeland and to reduce their inclination to send remittances home. In my opinion, this sociological model is only partially adequate to explain the Albanian migratory pattern.

As a matter of fact, notwithstanding the trend towards stabilization, the Albanians interviewed declared that they maintained a solid tie to their homeland and send money to the members of their family still in Albania even if they have their partner and their children in the recipient country. On an average they go back once or twice a year and often the older immigrants who are no longer able to work, adopt a transnational migratory pattern spending long periods of the year in the homeland. The work coordinated by O. Barsotti and E. Moretti reveals that compared to Moroccans and Tunisians, Albanians spend their holidays in the sending country more frequently: 88.2% spend their vacations at home (87.5% for Tunisians and 50.5% for Moroccans). From the research coordinated by M. Natale and S. Strozza (table 18), it

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<sup>41</sup> P. Martin and T. Straubhaar, Best practices to reduce migration pressures. in *International Migration*, quarterly review, Special Issue “managing emerging migration patterns”, vol. 40, n. 3, 1/2002., p. 10

emerges that civil status and in particular family reunions affect the Albanians' capability as employees but not Albanian savers' propensity to send remittances home. Actually the table concerning the ratio between 'remittance flows and saving capacity' show that Albanian savers with the consort in the recipient country, remit by a higher percentage than the other communities. In the same table the Albanian community turns out to be the only one showing an equivalence between singles, married with the consort in the country of origin and married with the consort in the recipient country, as far as savers' propensity to remit is concerned.

#### **4. CONCLUSIONS ON THE OPPORTUNITIES AND CONSTRAINTS TO A POLICY OF REMITTANCES' ENHANCEMENT**

As showed by the paper, strategies aimed at enhancing remittances in Albania have to tackle with several constraints but can also take advantage of some opportunities.

Among the limitations related to the Albanian context, the weakness of the financial system should be certainly recalled and associated to the lack of any structured and consistent set of measures in support to the private sector (first of all credit systems), with the consequent little interest for deposit fostering policies. The interviewed banking officials did not show any will to engage into the remittances market, nor to establish cooperation agreements with Italian banking institutions or with international aid actors, no even to expand their activity whatsoever over the national or the Italian territory (for instance by opening decentralised counters).

Also in Italy the main constraint to a policy of remittances' enhancement is the little (or in any case late) commitment of banking institutes to develop policies focused on the immigrants' population, and in particular, their difficulties in involving the Albanians as potential clients. At the basis of this specific constraint is the particularly fragmented nature of the Albanian community in Italy, the widespread diffusion of the informal channel among its members and the extreme weakness of the recipient financial system.

On the other hand, ethical finance organisations appeared to be interested in devising strategies and mechanisms for channelling and valorising remittances. Attracting remittances flows, actually, could be to the advantage both of the micro-finance organizations in Albania and of the Ethic finance institutes in Italy; the firsts could find in it a tool to make their credit activities more sustainable and the seconds could promote local development, at the same time attracting new immigrants often very much part of the Italian labour market.

Moreover some specific features of the socio-economic behaviour of the Albanians immigrants in Italy constitute points of potential strength. Some factors can be mentioned in particular: Albanians are stably rooted in the Italian society and send home a relatively large amount of remittances; there is a quite large need arising within the territory of channelling remittances through official channels but some practical constraints relative to the guarantee of a sure, timely and low cost service in a quite wide surface of the Albanian country must be overcome; there is the availability to save and invest in Albania and a relative propensity to 'respond' to financial incentives; notwithstanding the stabilization process, a rather strong relation binds Albanians to their homeland: the existence of strong migratory chains make this linkages stronger and many groups available to collect funds for financing development projects in the villages of origin. Single members of the Albanian

community reveal themselves potential key actors in the development and promotion of initiatives in this field.

All these elements, that surely would deserve further investigation, can make-up important research hints and starting points for pilot attempts in this domain.

The effectiveness of policies aimed at enhancing the immigrants' savings can vary from case to case depending on the degree of the origin countries' financial and economic development.

As we mentioned, the presence of a healthy financial system is a first, important precondition: the absence of serious credit practices, the deficiency of linkages between banks and enterprises, the weakness of managerial expertise, and the lack of adequate infrastructures, make banks little able and willing to attract new assets – eventually setting up mechanisms for catching part of the remittances flows - and turn them towards investment policies.

The existence of strong local governments able to undertake projects improving the financial and economic environment and the regulatory system is a second crucial factor indirectly affecting remittances' enhancement policies. Actually, steady institutions could operate - like in the Mexican case - for strengthening their home town associations abroad, stimulating the commitment of their diasporas in development projects and redirecting collective and individual remittances towards productive and social purposes.

The third crucial factor is the presence of an enabling economic environment and namely adequate basic infrastructure, good level of access to markets, local supply and marketing capacity and an effective regulatory system. As stated by P.Martin and G.Papademetriou, in the 1992 volume *The unsettled relationship*: “If remittances are to be the external pump which primes an area for an economic take-off, they need to be coordinated to provide the infrastructure necessary for development or sending governments must find additional funds to invest in infrastructure”<sup>42</sup>. Consequently, one should not forget that direct policies aimed at valorising remittances at the local level can be effective only aside a wider engagement by the wealthier countries in programmes promoting institutional capacity building and improving the market and financial environment.

Such measures don't affect directly the flow and the usage of remittances but turn out to be crucial for the sustainability of any project concerning remittances enhancement. In Albania, given the persistent weakness of the institutional and financial system, such “indirect” measures appear to be particularly critical.

More “direct” policies gearing remittances – recorded or unrecorded – towards longer-term growth and income security generally revolve around three parameters:

- redirecting remittances towards official channels
- encouraging migrants to hold savings in financial assets in the labour exporting country in the shape of deposits or insurance products
- facilitating the investment by migrants or their relatives staying in the country of origin.

Such measures must obviously be adapted to the particular condition of the origin countries and to the specific migratory patterns of their population. The last part of my

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<sup>42</sup> G. Papademetriou and P. Martin (edited by), *The unsettled relationship, labour migration and economic development*, greenwood press, London, 1992, p. 39.

analysis will be dedicated to summarily pointing out how such practices could work in the Albanian context.

#### **4.1 Redirecting remittances towards official channels**

First of all, remittances should be redirected towards official channels. As noticed by B. Ghosh, “From the point of view of the home country’s development, remittances payments through regular banking channels enables the government to exercise control over the use of foreign exchange and encourage a more productive utilization of funds”<sup>43</sup>. Even the European commission has recently taken position in this regard stressing that: “While the commission is conscious that migrant remittances are private money, that ought to be spent according to the wishes of individuals concerned, it considers that public administrations in migrant hosting countries may have a role to play in trying to ensure that these funds can be transmitted in developing countries by cheap, legal and secure means. Existing official financial systems are often burdensome and costly, and drive migrants into informal networks of money traders. Hence, financial institutions, international banks and money traders have a responsibility to ensure that efficient and cost effective systems will be available to the transfer of remittances to developing countries”<sup>44</sup>.

Unfortunately, as it has been showed, policies aimed at redirecting remittances from Italy to Albania towards official channels are hampered by particular constraints related both to the Italian and the Albanian financial structure.

In the perspective of a long-term policy, such situation can change in a significant way only if the Italian banking system will overcome its delay in including immigrants among its customers and if the modernization of the Albanian financial system will be implemented. At the same time, the Albanian government, under the support of the Italian cooperation, should work for recovering the national regulatory system and promote investments for improving the formal canalisation of remittances.

In the meanwhile, a short-term policy could mostly rely on the micro-finance system operating both in Italy and in Albania. As noted by Shivani Puri and Tineke Ritzema channelling remittances through the micro finance system could turn out to be a tool for indirectly financing the local investments. In a study commissioned by ILO the two authors stress that “it is difficult to convert successful migrant workers/savers with no prior business experiences in dynamic entrepreneurs. It could be argued that it is more realistic to introduce financial intermediaries that capture migrant remittances as deposits and channel them to existing small and micro-business, rather than transforming migrants directly into entrepreneurs. In other words, rather than focusing on migrant-specific investment programmes, labour exporting countries might wish to induce micro finance institutions to capture remittances. The basic idea would be to design policies to transfer funds of the migrant workers through MFIs to entrepreneurs”<sup>45</sup>.

In this context, the growth of the microfinance institutes in Italy, and the development of networks between Financial institutes in Italy and MFIs in Albania should constitute a key step.

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<sup>43</sup> B.Ghosh, Migration-development linkages: some specific issues and practical policy measures, International migration, quarterly review, Special Issue: “Migration and development” vol 30, n.3-4, 1992, p.428.

<sup>44</sup> Commission of European community, p.24.

<sup>45</sup> S. Puri and T. Ritzema enterprise and cooperative development department – social finance unit - ILO, Migrant workers remittances, micro-finance and informal economy: prospects and issues, working paper n.21, ILO, Geneva.

The Italian cooperation and the NGOs could play a crucial role in supporting this network. Moreover they could advocate the protection of the role of the Albanian saving Bank – even within the on-going process of privatisation. As a matter of fact, the state owned bank could constitute a fundamental intermediate step in the circuit of remittances canalisation because by its 38 branches it covers a large part of the Albanian territory and because the bulk of the micro-credit organization keeps its assets deposited there. Furthermore in 2001 the state-owned bank still accounted for 60% of total banking assets and 70% of household deposits; it consequently has a strong symbolic value in the Albanian representation of the financial system as shown by the fact that a large number of Albanian citizens withdrew their money from the Saving Bank when they new that it was going to be privatised and only thanks to the prompt and adequate reaction of the Bank many of them were convinced to save there again.

Another important strategy should be based on the extension of the linkages between Italian MFIs and some Italian commercial banks in order to set up a money transfer service offering standardized condition all over the Italian territory, get more visibility and reduce the scale costs.

The transfer services set up through these agreement should be reliable and quick and ensure sufficient distribution throughout the Albanian country. Transfer services also should be cheap for the migrants in order to lead to more money available form migrant sending communities and, correspondingly, to increase the multiplier effect of remittances on the migrant sending economy<sup>46</sup>.

Finally partnerships could be set up between development actors dealing with micro-finance in Albania and money transfer companies as Western Union and Money Gram.

This policy has been successfully undertaken in Bolivia by the NGO PRODEM. PRODEM- which since 1990 launched a micro lending operation in Bolivia – has set up an agreement with the Western Union aimed at transferring remittances in Bolivian secondary cities and rural areas not covered by the traditional banking system. This agreement, which is still underway, has worked extremely well where both companies are in a win-win situation and have earned good revenues in a short period of time. PRODEM was able to reduce the costs of the commission by charging other fees on other products or paying less money on savings account. Moreover “if the MFI signs an agreement with a remittance company, the fee structure will be split three ways: 40% for the remittance company, 30% for the sending agent, 30% for the paying agent. Normally the paying agent does not charge any extra fee to the receiving client since their transfer is fully paid for by the sender at the remittance point. However, and looking at the possibility of reducing transfer costs, the paying agent, which may be the MFI, can return some money back to the recipient client taken out of the 30% commission, as mentioned above”<sup>47</sup>.

## **4.2 Encouraging remittances savings**

Encouraging migrants to hold their savings in financial assets in the countries of origin is considered a second important tool for local development.

Generally it is deemed that such measures can leverage remittances through adequate interest rates and increase the assets of developing countries financial structures and thus their credit capacity. Governments have tried to attract immigrants savings

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<sup>46</sup> see Nyberg- Sørensen, Van Hear, Engberg-Pedersen, The migration-development nexus: evidence and policy options, *International Migration*, vol 40 (5) SI 2/2002, p.56.

<sup>47</sup> PRODEM- Fondo Financero Privado.

through regulatory policies or by embarking on various incentive schemes. For example, the republic of Korea requires workers to remit 80 per cent of their earnings and Bangladesh a minimum of 25 per cent. Some governments allow migrants to establish foreign exchange accounts and receive payment of interest in foreign exchange<sup>48</sup>. Other practices have included the attraction of migrants' savings towards development funds, state bonds or new financial products covering life and sanitary insurances, credit for housing and small business.

In Albania policies aimed at attracting remittances towards deposits have to face particular constraints. As a matter of fact, after the crisis of the pyramidal schemes in 1997 the trust in the national banking institutes dropped down. More in general, the core question is that banks are perceived by immigrants as absent: an "empty space" within the Albanian frame. Many interviewees declared that the banks in Albania do not exist, with the only exception of the Italian-Albanian institute. This notwithstanding many of the Albanians living in the country of origin seem to be more and more available to deposit their savings in the commercial banks. As it has been mentioned, according to estimates by the Central Bank of Albania, between 1992 and 2002 the level of deposit has been constantly increasing.

On the base of these evidences, it is possible that policies aimed at attracting immigrants savings in special low risk accounts could be welcomed by remittances' recipients if sponsored through ad hoc marketing campaign. Remittances savings formalization should constitute one of the core elements to be pursued by Albanian MFIs. The objective is to give the migrant workers and their families staying in Albania the possibility to have a savings account (also in areas not covered by the traditional commercial banks) where they can save their money and obtain satisfying interest rates in return. MFIs managed by PRODEM in Bolivia are dealing with this issue encouraging the recipients of the remittances to open a saving account that presents attractive conditions and allows them to access loans. Clients receive a 6.5% annual interest on their money and the MFIs raise funds relatively cheaply and are consequently able to offer lower priced loans in benefit of the local economies<sup>49</sup>. Migrant workers savings can also be managed in a manner resembling that of pension funds or insurance products. In this regard, the new insurance products which SCAs Unions are working to could reveal themselves a good starting point for attempts in this domain.

The Italian cooperation and the donors should support MFIs capacity building, promote the creation of new financial and insurance products and appropriate special funds for increasing the interest rates on deposits, thus making savings more attractive for the migrants and their families in Albania. It is also crucial that the Albanian institutions, supported by adequate programs of capacity building, support local MFIs and their network at the national level, recognize their services within the national financial system, and facilitate the contact between MFIs and the Albanian Diaspora.

Moreover, in Italy Ethic finance institutes could allocate part of the immigrants' savings to specific micro-finance institutions by using a range of practices which have already been tried out; for instance they could incentive the Albanians immigrants to open "ethic current accounts" including this service in a wider package of products similar to the ones promoted by the BCC of Geradadda, Treviso, Treviglio and Reggio Emilia. The low costs charged and the reduced collaterals required could be

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<sup>48</sup> B.Gohsh, p.428.

<sup>49</sup> ILO - Social Finance Program, Making the best of globalisation: migrant worker remittances and micro finance. 20-21 November 2000 and PRODEM- Fondo Financero Privado.

other factors attracting the Albanian customers. Furthermore, the smooth relation between the Ethic finance institutes and the NGOs working on the territory would make it possible to reach directly the Albanians communities, create a relation of reciprocal trust and set up projects for jointly defining their needs and corresponding strategies.

Another policy could be aimed at encouraging the Albanian associations to collect money and allocate them in special *Deposit certificates* or *guarantee funds* harnessed to support the Albanian MFIs and to create new job opportunities in the villages of origin of the immigrants.

### **4.3 Facilitating remittances investment**

Generally the remittances investment is considered only the last stage within the expenditure priorities of migrants families. In a first stage migrants' savings are exploited to sustain daily living and debt repayment. In a second stage they are dedicated to housing improvement, consumer durables purchase and education and only in a third stage they are invested in productive activities.

According to some experts the fact that only a few percentage of the migrants is able to reach the third stage of this pattern sharply reduces the development potential of remittances. In this context, measures facilitating and stimulating migrants' capital productive investments are deemed a third key parameter within a policy of remittances' enhancement.

A study conducted on the start-up capital for small and medium size private business and quoted by the 2000 UNDP Human development Report showed that 39% of the funding comes from family members in Albania or abroad and 17.5% of this share is made up by remittances. Moreover, it is worth to recall that the impression of the Albanians interviewed within the present research was that they and their country fellows are more and more inclined to invest in the origin country.

On the base of these considerations, it is possible to assess that even in a country economically back warded like Albania, remittances can play a key role in enhancing productive development; this notwithstanding, their potential remains largely untapped.

In order to better harness such potential, Italian ethical micro-finance institutes and development cooperation actors should set up pilot projects aimed at channelling immigrants savings towards self-employments or businesses to be managed by relatives staying in the sending country. In the latter case, the strategy could cope with the migratory project of the majority of the Albanians not inclined to return but willing to invest part of their savings in the homeland. For example, the Ethic financial institutes, after having favourably evaluated the investment projects, could provide personal or collective loans or set themselves up as guarantors. A different way of implementing the same strategy could involve the immigrants themselves as guarantors of the investments, while the credit could be provided by local micro-credit institutions networking with the ethical finance institutions in Italy. The mediation of NGOs working on the field and able to be trusted by immigrants can reveal itself critical for the sustainability of such policies

The Italian cooperation agents could also give value to the experience of the Albanian HTAs in Italy stimulating their money collection for development projects and eventually using tools of "capital leveraging" already attempted in other contexts as for example within the 3-for-1 programme. Italian regions and municipalities could for example engaging in similar projects by providing special revolving funds or setting themselves as guarantors of the HTAs' investments.

Finally, Italian development cooperation could support and enforce the investment capability of the Albanian MFIs that transfer immigrants' savings thus to increase the multiplier effect of remittances.

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2. Gannon Michael and Sharkaj Elvana – DSCAMF (Development of Savings and Credit Association Movement Foundation)
3. Italian - Albanian Institute official
4. Reci Elida - Public Private Finance Institute, Executive director
5. Reiff Jim - PSHM (partneri shqiptar ne mikrokredi)
6. Ruci Evis - Central Bank of Albania, Head of Balance of Payments & survey department
7. Tirana Bank official
8. Western Union official

### **Development organizations and Research centers:**

1. Angeli Debora and Rinaldi Maria Donata - COSPE
2. Bassanese Tatjana - ACS
3. Ciafaloni Francesco and Enrico Allasino - IRES CGIL
4. **Dal Maso Davide - Avanzi**
5. Falchetti Lucia – CIES
6. Foschi Laura, Choros
7. Ghionej Andy and Busatti Maurizio - IOM
8. Malanchini Fabio, Microfinanza
9. Neri Bruno - Etimos
10. Peraro Francesco and Locicero Mirko, Federazione Italiana Banchieri e Assicuratori – UIL (FIBA)
11. Pittau Franco - Caritas
12. Turilli Pietro – IFAD

### **Financial institutes in Italy:**

1. Acquati Giovanni, MAG 2
2. Ascoli Marchetti Marina, Associazione Bancaria Italiana (ABI)
3. Benedetti Claudia - Federasse
4. Bruzzichelli Andrea - Monte dei Paschi di Siena
5. Emilio Cocozza – Banca di Italia
6. Lattanzi Franco and Scialla Massimo, Banca di Roma (Italian – Albanian Institute)
7. Notaro Giovanni and Barnia Claudio – Banca Nazionale del Lavoro (BNL)
8. Parolari Marco, Banca di Credito Cooperativo – BCC of Treviglio
9. Piccolo Marco - Banca etica
10. Pipitone Giuseppe - Money Express-Money Gram
11. Valente Maurizio - Banca Etica Roman branch

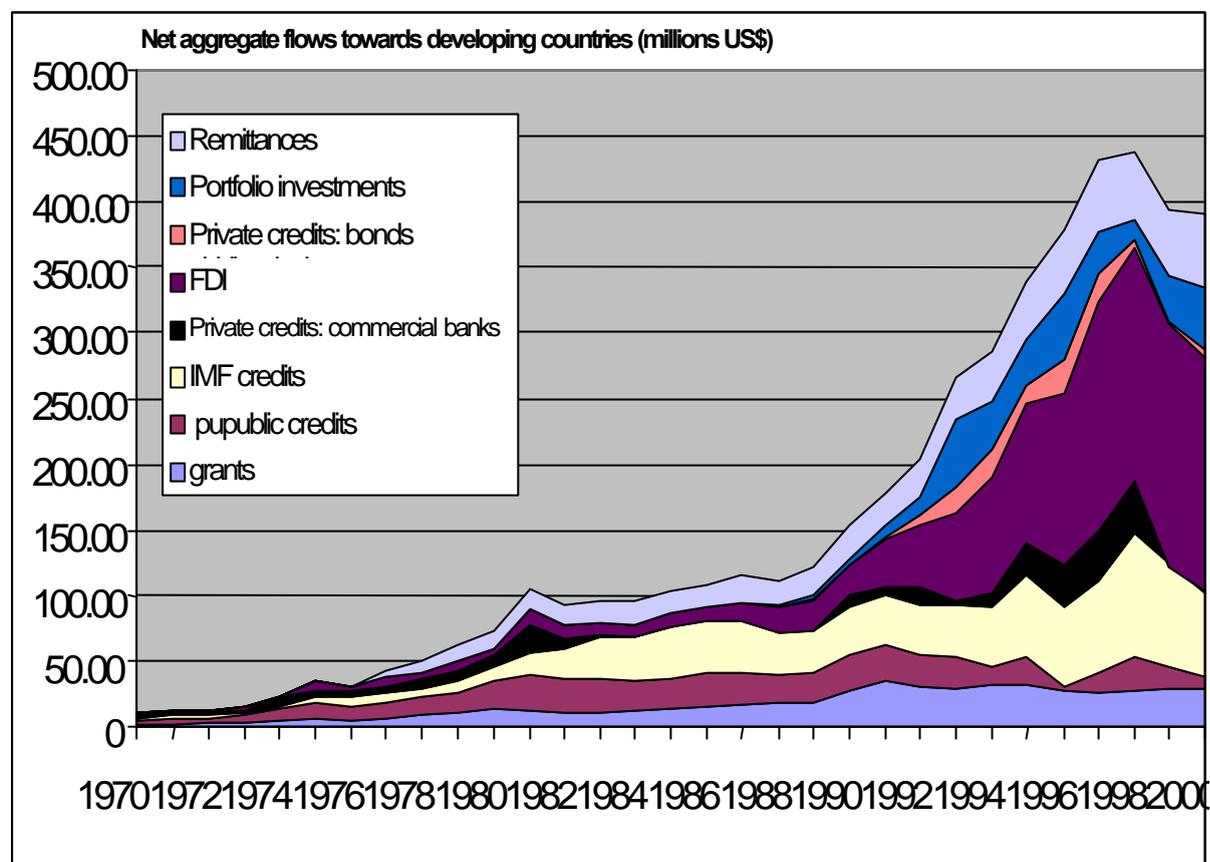
### **Albanian community in Italy**

1. Cela Astrit, Milan chamber of commerce official
2. Cepiku Katerina, economist and cultural mediator
3. Devole Rando, sociologist
4. Doci Edison – Foreigner minors Office in Turin municipality
5. Joka Dava e Aldo Damato, association “Skanderberg”
6. Kanani Ilia, musician

7. Kastriot Shehi, actor and waiter
8. Kazazi Hamza – president of the association “Albanesi all’estero”
9. Koplaku Adnan, president of the Albanian comunità in Milan
10. Lugja Ndue, president of the association “Comunità Albanese”
11. Ndreca Sokol and Kosturi Vladimir, association “Iliria”
12. Seiko Roland, member of the editorial staff of "Bota Shqiptare"
13. Shamku Viola - Foreigner Office in Saluzzo (Cuneo) municipality
14. Sherko Emil and Rokaj Albert – Foreigner Office in Turin municipality
15. Tace Zineta, cultural mediator

## TABLES

**Table 1 Net aggregate flows towards developing countries (million US\$)**



Source: World Bank, 2001 e 2002

**Table 2 Remittances flow towards Albania (million \$)**

year	Total remittances of	In comparison %	In % comparison	total remittances per
		with GDP	with export	capita (\$)
1992	150		--	47
93	274	22.3	224.5	86.7
94	377	19.4	267.4	118
95	384	15.5	190.7	118.3
96	499	18.6	237.3	152.1
97	266	11.6	188.8	80.2
98	452	14.8	219.0	134.8
99	368	10	133.6	109.1
00	530	14.3	205.4	170
01	620	15.2	203.2	200

Source: Albanian Central Bank Report 2002

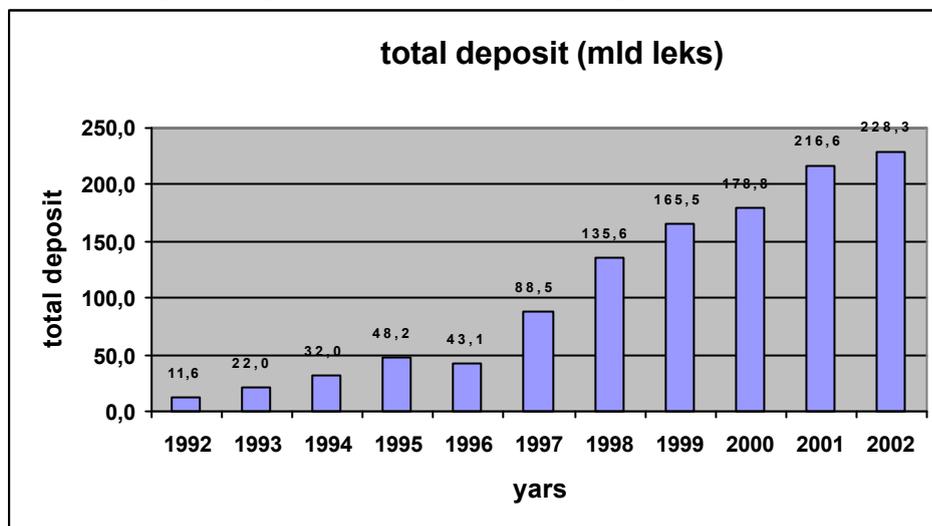
**Table 3 Credit to private non financial sector (%GDP)**

year	Albania	Bosnia-Herzeg	Bulgaria	Croatia	Macedonia FYR	Romania	Slovenia	Yugoslavia FR
1999	3.6	33.0	14.6	36.9	18.0	8.1	36.0	n.a.

2000	4.1	32.4	14.6	36.0	17.4	7.2	38.1	n.a.
2001	4.6	34.8	16.3	41.0	18.9	7.8	40.0	n.a.

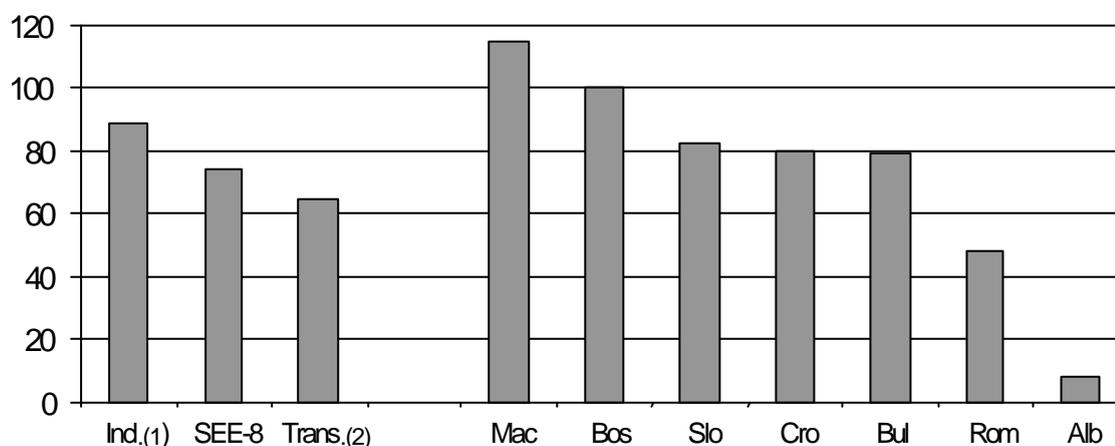
Source: Banca d'Italia based on IMF, International Financial Statistics

**Table 4 Deposit kept in the Albanian banking system**



Source: Bank of Albania, 2003

**Table 5 Share of private sector credit over total domestic credit between (average percentage 1999-2000)**



Source: Banca d'Italia based on IMF, International Financial Statistics

**Table 6 Western Union commission (US\$)**

Amount of money to be transferred	commission
0.00 – 50.00	13.00
50.01- 100.00	14.00
100.01 – 200.00	21.00
200.01 – 300.00	27.00
300.01 – 400.00	32.00
400.01 – 500.00	37.00
500.00 – 750.00	42.00
750.01 – 1000.00	47.00
100.01 – 1250.00	55.00

1250.01 – 1500.00	60.00
1500.01 – 1750.00	70.00
1750.01 – 200.00	80.00
2000.01 – 2500.00	100.00
2500.01 – 3.000.00	120.00

Source: Western Union Bureau

**Table 7 Remittances from Italy towards Albania (thousands euros)**

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
69	65	161	447	535	414	624	1.391	724	2,040	2,398

Source: National Exchange bureau

**Table 8 Papers required to immigrants in order to open a current account**

Identity card	Stay permit	Fiscal code	pay-sheet	declaration of income	Declaration of residence	guarantees by Italian citizens	guarantees by foreigner citizens	Something else	No answer
82.7	76.4	43.6	14.5	7.3	29.1	10	3.6	3.6	0

Source: based on the inquiry edited by Giordano dell'Amore Foundation in 2002

**Table 9 Remittances channels by nationality**

	% postal order	% by banks	% relatives and compatriots.	% personally	% other channels	total
Albania	11.1	10.1	61.6	17.2	0.0	100.0
Yugoslavia	19.0	6.3	31.6	31.6	11.4	100.0
FR						
Poland	20.5	7.6	43.8	20.5	7.6	100.0
Morocco	58.3	3.8	14.9	20.9	2.1	100.0

Source: inquiry edited by Conti, Natale, Strozza, forthcoming

**Table 10 Type of stay permit for the Albanians regularly staying in Italy (2000)**

Reasons for the stay	% of immigrants	% of Albanian immigrants
Wage labor and Self employment	60.6	62.8
Wage labor	54.2	59.6
Self employment	6.3	3.2
Family	25.6	30.2
Study	2.6	2.6
Adoptions	0.3	1.7
Other reasons	11.0	2.7
Total	100.0	100.0
Absolute values	1,388,153	142,066

Source: International Organization for Migration

**Table 11 Albanians' school enrolment between 1995 and 2001**

Academic year	Albanians	Index number
95/96	4,131	100
96/97	5,761	139
97/98	8,312	201
98/99	13,551	328
99/00	20,859	505
00/01	25,050	606

Source: Caritas elaboration on Minister of the Public Instruction informative system data

**Table 12 Per capita remittances imports by nationality <sup>(a)</sup>**

	<1,032	1,032-2,065	2,065-3,098	3,098 – 4,131	4,131-5,164	>5,164	Total	Annual average
Albania	9.4	24.2	18.5	18.5	13.6	9.9	100.0	2,852

Yugoslavia FR	23.7	38.9	12.5	12.5	5.4	9.5	100.0	4,379
Poland	16.3	20.5	16.7	16.7	14.4	10.6	100.0	2,762
Morocco	18.1	18.1	19.3	19.3	9.1	7.3	100.0	2,291

Source: inquiry edited by Conti, Natale, Strozza, forthcoming

**Table 13 Savings and remittances by nationality (%)**

country	% savings upon workers			% remittances upon workers			% remittances upon workers' savings		
	males	females	tot	males	females	Tot.	males	females	tot
Albania	66,2	28,4	55,2	41,4	22,2	<b>35,8</b>	62,6	78,3	<b>64,9</b>
Former –Yug.	62,6	44,1	56,1	34,5	23,7	<b>30,7</b>	55,1	53,7	<b>54,7</b>
Poland	67,1	75,6	72,4	36,2	52,3	<b>46,3</b>	53,9	69,2	<b>64,0</b>
Morocco	56,4	39,7	53,9	33,9	20,7	<b>31,9</b>	60,1	52,2	<b>59,2</b>

Source: based on the inquiry edited by Conti, Natale, Strozza, forthcoming

**Table 14 Immigrants resorting to public and private services**

	Alb.	former-Yug.	Eastern Europe	Africa	N.Africa	Sub Sah. Africa	Near East	other Asian countries	South Am.	Tot.
trade unions	1.2	5.1	2.0	7.2	4.7	14.3	0.0	8.6	5.0	5.0
public services	8.4	14.4	8.0	13.5	12.1	9.8	8.0	14.7	15.0	11.1
embassies	1.7	0.8	2.0	0.9	5.4	3.8	4.0	1.7	8.3	2.5
private services	2.2	9.3	9.3	8.5	6.0	4.5	4.0	7.8	3.3	5.8
Banks/insurance agencies	0.2	5.9	2.0	2.2	1.3	3.0	0.0	0.9	0.0	1.7
Total answers	406	118	115	223	149	133	25	116	60	1.382

Source: based on Inte. Mi. Gra 2002 report in Caritas 2002

**Table 15 Remittances employment in Albania (%)**

Consumed by you/family	52.67
Saved in bank	15.98
Invested in financial-institut.	7.05
Invested in comm. business	5.18
Invested in prod. business	1.28
Invested in agr. Business	0.96
Invested in property	7.00
Used in other activity	9.89

Source: Albanian individual database, based on the survey coordinated by D.Kule, H.Mancellari, H.Papapanagos, S.Qirici, P.Sanfey, 1998

**Table 16 Remittances employment in Albania, Former Yugoslavia, Poland and Morocco (%)**

Country	Short time consumer goods	Long time consumer goods	Housing Expenses	savings	education	other
Albania	36.0	4.3	10.8	<b>26.3</b>	8.6	14.0
Former Yug.	49.0	8.9	8.3	<b>12.7</b>	11.5	9.6
Poland	34.1	4.5	15.7	<b>21.8</b>	14.5	9.4
Morocco	41.8	10.8	4.9	<b>19.4</b>	8.8	14.3
TOTAL	39.3	7.7	10.1	<b>20.1</b>	10.6	12.1

Source: based on the inquiry edited by Conti, Natale, Strozza, forthcoming

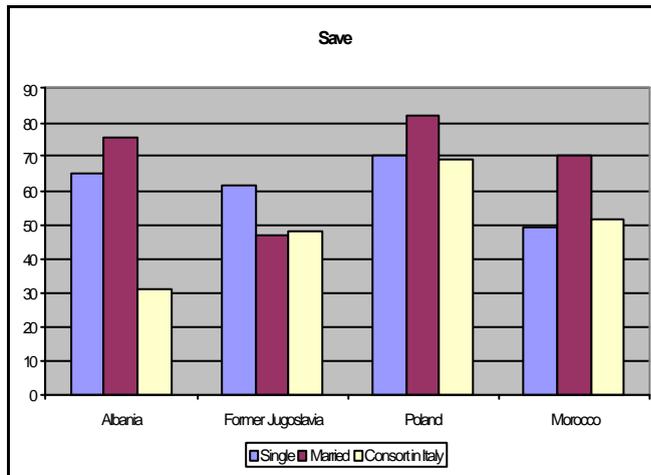
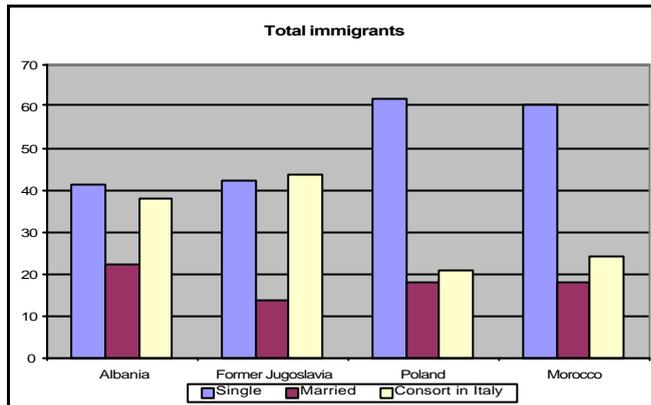
**Table 17 Immigrants resort to relatives and friends in Italy**

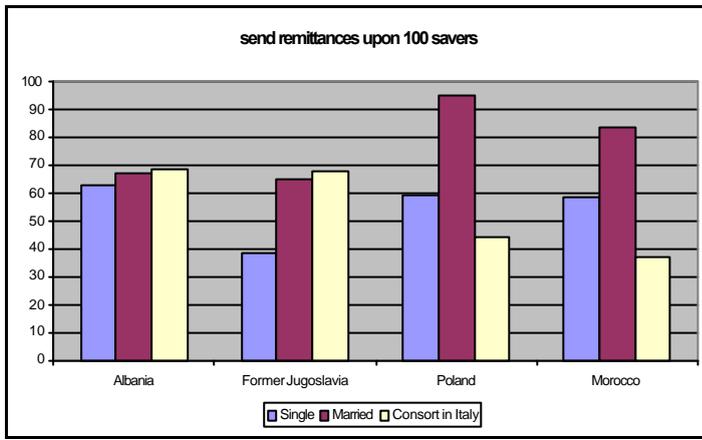
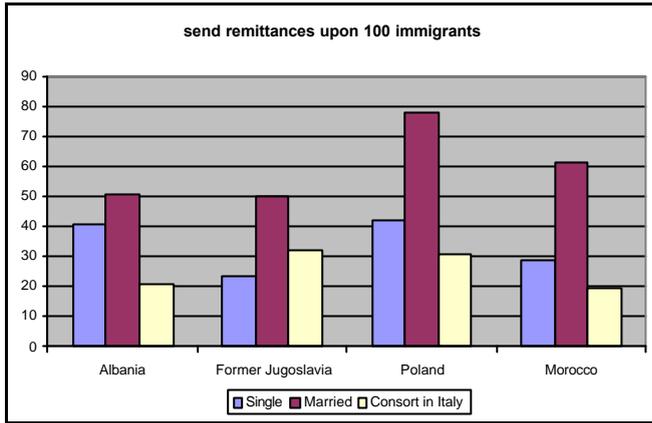
	Alb.	former-Yug.	Eastern Europe	Africa	N.Africa	Sub Sah. Africa	Near East	other Asian countries	South Am.	Tot.

relatives	19.5	15.3	14.7	7.6	10.7	3.8	8.0	9.5	20.0	13.2
Friends and fellow countrymen	23.2	19.5	24.7	21.5	30.2	26.3	24.0	26.7	15.0	23.7
Italian friends	23.4	12.7	10.0	13.0	12.8	6.8	4.0	11.2	10.0	14.6
HTA	2.0	0.8	0.0	8.1	6.7	4.5	12.0	5.2	8.3	4.1

Source: based on inte. Mi.Gra 2002 report in Caritas 2002

**Table 18 Savings and remittances by nationality and civil status (%)**





Source: based on the inquiry edited by Conti, Natale, Strozza, forthcoming