

The Italy – Albania Remittance Corridor

*Shifting from the Physical Transfer of Cash
to a Formal Money Transfer System*

Presented at the Conference on
Remittances: An Opportunity for Growth
Bari, Italy, March 3-4, 2006



**Raúl Hernández-Coss, José de Luna Martinez,
Andrea Amatuzio, Kamil Borowik and Federico Lagi**

Acknowledgments

This is a preliminary report of the case study on the Italy-Albania Remittance Corridor, prepared by the Financial Sector Vice-Presidency of the World Bank and with financial support of the “Convergence” program. A more detailed report will be completed in April 2006, as part of the Bilateral Remittance Corridor Analysis.

The core team responsible for preparing this report appreciates the support and information received from the following institutions in Italy and Albania as well as from World Bank offices in Rome and Tirana.

In Italy, the team received assistance from: Italian Banking Association (ABI), Apulia Region, Italian Association for Consumer Credit and Mortgages (ASSOFIN)), Bank of Italy, Banca Intesa, Banca Popolare dell'Emilia Romagna, Banca Nazionale del Lavoro, Banca Popolare di Milano, Banca Popolare di Puglia e Basilicata, Banca Popolare Pugliese, Chamber of Commerce of Bologna, Chamber of Commerce of Turin, Centre for International Political Studies (CeSPI), Italian General Confederation of Labor (CGIL), Convergence, Directorate Anti-Mafia, Financial Police (GdF), National Institute for Social Security (INPS), Ministry of Economics, Ministry of Foreign Affairs, MoneyGram, Italian Postal Office, representatives of the Albanian community, San Paolo IMI, and Italian Financial Intelligence Unit (UIC).

In Albania, the team received assistance from: Bank of Albania, Center for Economic and Social Studies (CESS), Financial Intelligence Unit, Institute of Statistics (INSTAT), International Agency for Source Country Information, International Organization for Migration, Italian-Albanian Bank, Ministry of Interior, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Labor, Social Affairs and Equal Opportunities, MoneyGram, Reiffeisen Bank, and Western Union.

Washington, D.C.
February 22, 2006

Executive Summary

This is a preliminary report of the study on the Italy-Albania Remittance Corridor. This report provides policy-makers in Italy and Albania, as well as authorities in the Apulia Region, with a set of specific policy recommendations to maximize the developmental potential of remittances, strengthen the integrity of money transfer industry, reduce remittances fees, improve data collection practices, and improve the regulation of the money transfer industry.

With US\$ 4.7 billion, Italy is among the 10 largest remittance providers in the world and the sixth largest provider of remittances in Europe. Italy became a net remittance provider in 1998, after decades of benefiting from remittances inflows originating in other European countries and North America. Among the corridors originating in Italy, Albania ranks among the top ten destination countries in terms of value of formal remittance transfers.

The Bank of Albania estimates that in 2004 remittance flows to Albania amounted to approximately US\$ 1 billion, about 13.5 percent of Albania's GDP. At this amount, remittances were three times higher than net foreign direct investment and double the official development aid received by Albania. By the end of 2004, almost 25 percent of Albanian citizens were living abroad, mainly in Greece, Italy and other countries in the European Union. Official statistics for Albania in 2004 show that approximately 60 percent of remittance inflows were from Greece, 30 percent from Italy, and the remaining from the USA, Germany, and other European countries.

The Apulia Region has become an important gateway for migration from Albania into Italy mainly due to its proximity to Albania. Once in Italy, Albanian migrants are fairly distributed throughout all Italy with a higher concentration in the regions of Lombardy, Tuscany, Emilia Romagna, Piedmont, and Veneto.

Italy-Albania is mainly an informal corridor, and the physical transfer of cash is the most popular method to send remittances to Albania. The Bank of Albania estimates that of the US\$ 310 million dollars in remittances received from Italy in 2004, almost 60 percent of remittance flows are in cash and take place through informal channels. The remaining 40 percent of money transfers take place mainly through money transfer companies and to a limited extent by banks.

Money Transfer Operators (MTOs) dominate the formal market for money transfers to Albania. They offer a reliable and rapid way of making remittance transfers. Western Union conducts almost 80 percent of all transactions through financial institutions in the corridor. In 2004, MoneyGram – the second largest remittance company in the world after Western Union – started to provide money transfer services to Albania.

Other formal intermediaries such as banks and the postal office play a small role in the corridor. In terms of volume and number of transactions, the role of commercial banks in remittance payments from Italy to Albania is limited. Recently, some Italian banks have started to offer pre-paid cards. The number of ATMs in Albania is limiting the use of pre-paid cards for remittance transfers. The Italian Postal Office has the largest

network for origination of remittance transfers. In Albania, however, the Postal Office plays a more limited role than in Italy, and it does not share the same primary network platform to facilitate transactions.

Several factors limit the expansion of the formal remittances market and contribute to the physical transfer of cash. These include limited access to bank services by remittance-recipient households in Albania and senders in Italy, lack of trust in the Albanian banking system, limited number of remittance banking products, cost considerations, and black market for foreign exchange.

Extensive physical transfer of cash between Italy and Albania limits the developmental potential of these flows in Albania. Albania has become a labor-export country, and at this time it is not possible to foresee any drop in the amount of remittances received by Albania in the near future. One major concern in Albania is that remittance flows are mainly used for consumption purposes. However, recent studies reveal that the migrant population in Italy is increasing its demand for banking products. One of the key challenges for Albanian authorities is to create mechanisms to allow better access to bank products and services.

Policy recommendations are aimed at raising the participation of financial institutions in the remittance corridor between Italy and Albania and supporting efforts of the Albanian government to maximize the development impact of remittance flows:

- **Increasing collaboration among Italian and Albanian authorities to promote use of formal channels for remittance transfers** through formalization of physical transfer of cash, strengthening the institutional framework for remittance transfers, improving data recording mechanisms and exploring an opportunity for a pension agreement between the two countries.
- **Undertaking a series of actions to promote access to financial services**, such as SMEs financing tailored to migrant workers, new remittance products, and consumer lending as an entry point for electronic remittance transfers. The postal office could provide an extensive network for wide distribution of remittances and other financial services in Albania.
- **Designing and implementing a comprehensive plan to promote financial literacy among Albanian migrants** in both Italy and Albania to increase awareness and strengthen confidence in financial institutions in both countries.

Contents

Introduction.....	1
1 Remittances and Migration.....	3
1.1 Remittances Overview	3
1.2 Migration and the Position of the Apulia Region	4
2 Remittance Transfers	6
2.1 Remittances to Albania is Mainly in Cash.....	6
2.2 Dominance of Money Transfer Operators (MTOs) in the Formal Market.....	7
2.3 The Role of the Postal Office.....	9
2.4 Growing Number of Pre-Paid Cards.....	9
3 Factors Limiting the Growth of the Formal Remittance Market	11
3.1 Constraints to Access to Banking Services in Italy and Albania.....	11
3.2 Trust in the Albanian Banking System	11
3.3 Limited Interest of Banks in Remittance Products	12
3.4 Limited Competition, High Fees and Few Products in the Marketplace.....	12
3.5 Black Market for Foreign Exchange.....	13
4 Regulatory Environment Affecting Remittances.....	14
4.1 AML/CFT Regimes in Italy and Albania	14
4.2 Regulation for MTOs in Italy	15
4.3 Threshold for Declaring Physical Transport of Cash	15
5 Maximizing Impact of Remittances in Albania.....	16
5.1 Financial Products for Migrants.....	16
5.2 Use and Sustainability of Remittances	17
6 Policy Recommendations.....	17
6.1 Increasing Collaboration among Italian and Albanian Authorities to Promote Use of Formal Channels for Remittance Transfers.....	18
6.2 Promoting Access to Finance in Italy and Albania.....	19
6.3 Designing and Implemententing a Financial Literacy Programs for Migrants.....	20
Bibliography	22

Acronyms and Abbreviations

ABA	Albanian Banking Association
ABI	<i>Associazione Bancaria Italiana</i> (Italian Banking Association)
ACCML	Agency for Coordinating the Combat of Money Laundering
AML	Anti-money laundering
ATM	Automated Teller Machine
ASSOFIN	<i>Associazione Italiana del Credito al Consumo e Immobiliare</i> (Italian Association for Consumer Credit and Mortgages)
BA	Banking Act
BIS	Bank for International Settlements
BoA	Bank of Albania
BoI	Bank of Italy
BRCA	Bilateral Remittances Corridor Analysis
CESS	Centre for Economic and Social Studies
CFT	Combating the Financing of Terrorism
CPSS	Committee on Payment and Settlement Systems at the BIS
EU	European Union
FATF	Financial Action Task Force on Money Laundering
FDI	Foreign Direct Investments
FIU	Financial Intelligence Unit
GdF	<i>Guardia di Finanza</i> (Financial Police)
GDP	Gross Domestic Product
ID	Identification Document
IMF	International Monetary Fund
INPS	<i>Istituto Nazionale di Previdenza Sociale</i> (National Institute of Social Security)
IOM	International Organization for Migration
INSTAT	National Statistical Agency of Albania
ISTAT	<i>Istituto Italiano di Statistica</i> (Italian Institute of Statistics)
MTO	Money Transfer Operator
SWIFT	Society for Worldwide Interbank Financial Telecommunication
UIC	<i>Ufficio Italiano dei Cambi</i> (Italian Financial Intelligence Unit)
UN	United Nations
WB	World Bank
WU	Western Union

Introduction

The Italy-Albania corridor has been studied for a number of reasons. Firstly, the Albanians constitute the largest foreign community in Italy. Secondly, Italy is one of the main remittance-sender countries worldwide and it has been involved in international remittance initiatives, such as the G8 Summit in Sea Island and the World Bank/CPSS task force on the General Principles for International Remittance Systems. Thirdly, the Albanian government has been actively engaged in this topic by adopting a National Strategy on Migration and conducting, in 2005, a household survey to analyze the impact of remittances in Albania. Fourthly, given the predominance of the physical transfer of cash, this corridor represents an opportunity to set common strategies, for authorities in Italy and Albania, as well as for authorities in other countries, to promote the shifting from informal to formal fund transfer systems.

The number of foreigners living in Italy has increased rapidly in the past 15 years. While in 1991 the number totaled 649,000, at the end of 2004, the population of foreigners in Italy was 2.4 million. As in other developing countries, foreigners in Italy support their relatives in their home countries through remittance transfers. In 2004, the total amount of remittances sent from Italy through financial institutions was estimated at US\$ 4.7 billion.¹

As of January 2005, Albanians constituted the largest community of foreigners in Italy with a population of 317,000 legally documented migrants². According to the *Istituto Nazionale di Previdenza Sociale*, there were approximately 150,000 Albanian workers in 2002, paying contributions to the social security system³. Remittance flows from Italy to Albania amounted to about US\$ 310 million in 2004⁴; a significant proportion of such flows are transferred physically in cash. This characteristic of the Italy-Albania remittance corridor is the most significant factor which constrains the developmental potential of remittance flows into Albania.

This is a preliminary report of the study on the Italy-Albania Remittance Corridor, prepared by the Financial Sector Vice-Presidency⁵ of the World Bank with financial support of the “Convergence” program. A more detailed report will be completed in April 2006. Similar to studies of other remittance corridors, this study is designed along the Guidelines for the Bilateral Remittance Corridor Analysis (BRCA). This report analyzes the main characteristics of the Italy-Albania remittance corridor. The report also provides policy-makers in Albania and Italy, as well as authorities in the Apulia Region, with information on various aspects of the flow of remittances between Italy and Albania, which will form the basis of specific policy recommendations to maximize the developmental potential of remittances, strengthen the integrity of the money transfer industry, reduce remittances fees, improve data collection practices, and ensure that

¹ IMF (2005d).

² ISTAT (2005).

³ Based on study by INPS (2002).

⁴ Estimate from Bank of Albania (2005).

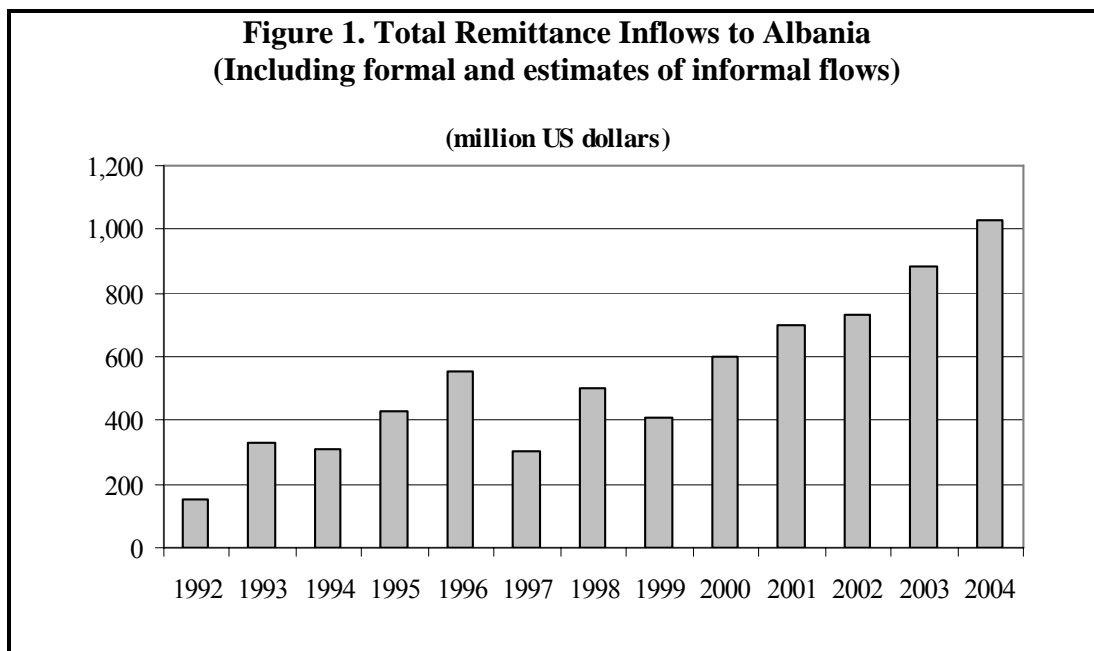
⁵ The core team was composed of Andrea Amatzio, Kamil Borowik and Federico Lagi. Design was provided by James Quigley. Jose de Luna Martinez and Raul E. Hernandez-Coss acted as Task Team Leaders. The team benefited from the guidance of Latifah Merican Cheong, Program Director, Financial Market Integrity Unit.

regulation of the money transfer industry would be balanced by increasing incentives to improve access of financial services to both the remittance senders in Italy and the beneficiaries in Albania. Towards this end, the Report identifies the areas where the World Bank and the “Convergence” program could assist Albania in enhancing the developmental impact of remittances. This would be achieved through policies that would promote a shift of remittances from predominantly transfers of physical cash to transfers using bank and non-bank institutions that are part of the broader financial system.

1 Remittances and Migration

1.1 Remittances Overview

By the end of 2004, almost 25 percent of Albanian citizens were living abroad, mainly in Greece, Italy and other countries in the European Union. This migration trend started in 1991, when Albanians began to migrate abroad in search of better employment opportunities. Most Albanian migrants maintain strong relationships with their relatives in their home country and remit incomes earned abroad to Albania. As shown in the following figure, the Bank of Albania estimates that in 2004 remittance flows to Albania amounted to approximately US\$ 1 billion, about 13.5 percent of Albania's GDP⁶. At this amount, remittances were three times higher than net foreign direct investment and double the official development aid received by Albania.



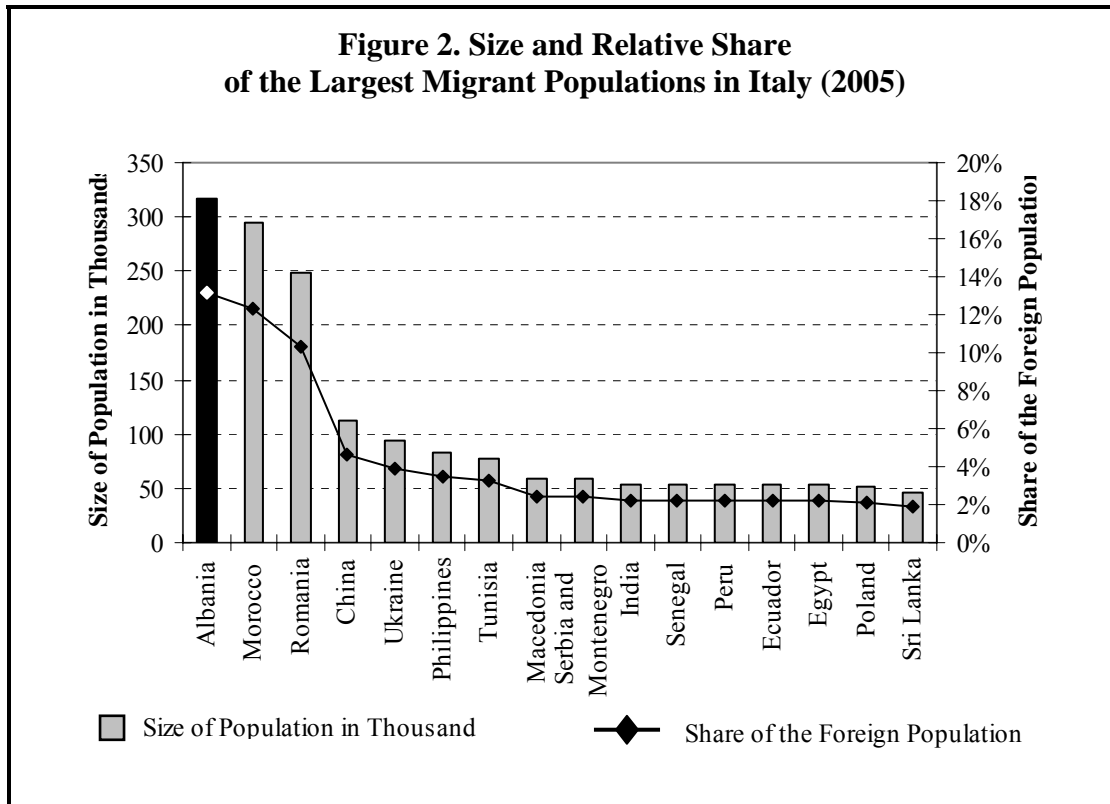
Source: Bank of Albania (2005).

Official statistics for Albania in 2004 show that approximately 60 percent of remittance inflows were from Greece, 30 percent from Italy, and the remaining from the USA, Germany, and other European countries. After Greece, Italy has become the second most preferred destination country for Albanians. In Italy, Albanians constitute the single largest community of foreign citizens, accounting for almost 14 percent of the total foreign population. There are approximately 317,000 legal Albanian residents and a number of undocumented persons ranging from 30,000 to 100,000, according to unofficial estimates.⁷

⁶ To calculate the volume of annual remittance inflows, Bank of Albania collects information from money transfer companies and banking institutions and conducts a household survey to estimate informal remittances.

⁷ CESS (2003).

With US\$ 4.7 billion⁸, Italy is among the 10 largest remittance providers in the world and the sixth largest provider of remittances in Europe. Italy became a net remittance provider in 1998, after decades of benefiting from remittances inflows originating in other European countries and North America⁹. Albania ranks among the top ten destination countries in terms of value of formal remittance transfers from Italy. Other remittance corridors originating in Italy include those to China, Romania, the Philippines and Morocco.



Source: ISTAT (2005).

1.2 Migration and the Position of the Apulia Region

The Apulia Region has become an important gateway for migration from Albania into Italy mainly due to its proximity to Albania. It takes less than five hours to reach the city of Bari by ferry from the city of Durrës in Albania. Once in Italy, Albanian migrants are fairly distributed throughout Italy, with a higher concentration in the regions of Lombardy, Tuscany, Emilia Romagna, Piedmont, and Veneto. The Apulia region is in the sixth position in terms of absolute number of Albanians living in Italy.

⁸ This amount includes workers' remittances, compensations of employees and migrants' transfers, in line with World Bank (2003, 2006b).

⁹ IMF (2005d).

**Table 1. Regional Distribution of Albanian Migrants in Italy
as of January 2005 (Number of Migrants)**

Lombardy	51,000	Friuli-Venezia Giulia	8,300
Tuscany	35,639	Abruzzo	7,800
Emilia Romagna	29,000	Trentino-Alto Adige	6,600
Piedmont	26,900	Campania	5,100
Veneto	26,400	Sicily	5,000
Apulia	17,500	Calabria	2,400
Lazio	13,550	Basilicata	1,500
Marche	13,300	Molise	630
Umbria	9,500	Val d'Aosta	430
Liguria	9,200	Sardinia	350

Source: ISTAT (2005).

According to the International Organization of Migration (IOM), approximately 59 percent of Albanian migrants live in Italy with their families¹⁰. On average, family members join the migrant 3-4 years after the migrant has secured employment in Italy. Although Albanian migrants work in practically all sectors of the Italian economy, more than 70 percent of male workers are employed in the construction, agriculture and textile industries, whereas women are engaged mainly in domestic work and elderly care. Data from the *Istituto Nazionale di Previdenza Sociale* of Italy indicates that the average annual income of Albanian workers was US\$ 10,300 in 2002.

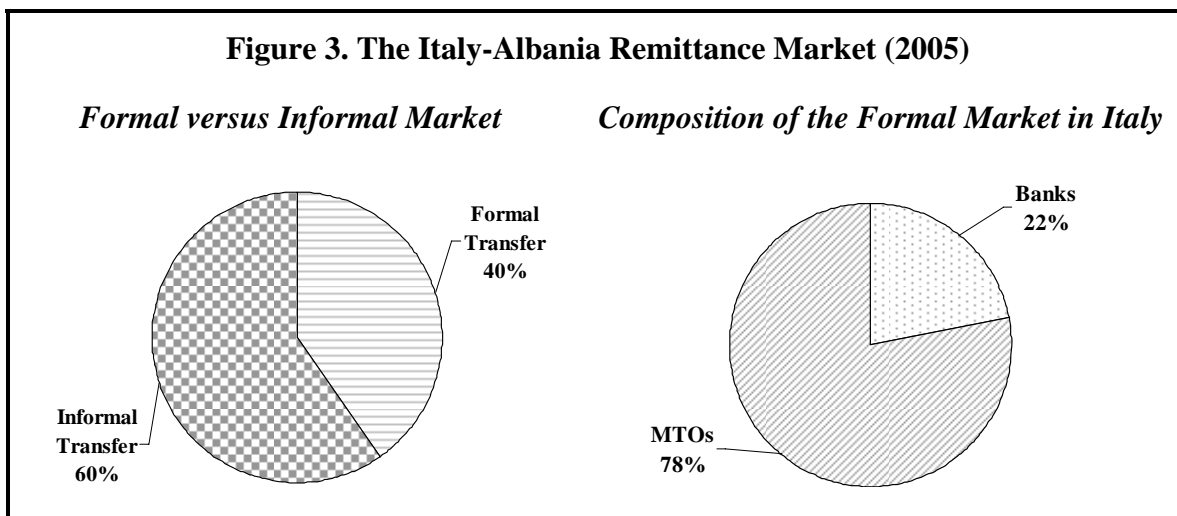
Albanian migrants tend to travel to their home country twice a year - during summer and Christmas holidays - and carry their remittances in cash. Due to the proximity between Italy and Albania and the availability of ferries and low-cost flights between these two countries, migrants have the opportunity to easily return home. This coupled with liberal regulations on cross-border cash transfers makes it convenient for migrant workers to carry physical cash out of Italy for relatives back home in Albania.

¹⁰ IOM (2005).

2 Remittance Transfers

2.1 Remittances to Albania is Mainly in Cash

Italy-Albania is mainly an informal corridor. Most Albanians living in Italy do not send money home through commercial banks, Money Transfer Operators (MTOs) or the postal office. Despite the availability of payment platforms that facilitate the transfer of money through commercial banks and other financial institutions in Italy and Albania, the Bank of Albania estimates that of the US\$ 310 million dollars in remittances received from Italy in 2004, almost 60 percent of remittance flows are in cash and therefore take place through informal transfers. The remaining 40 percent of money transfers take place mainly through money transfer companies and to a limited extent by banks.



Source: Bank of Albania and World Bank estimates (2005).

The physical transfer of cash is the most popular method to send remittances to Albania. Data from *Guardia di Finanza* reveals that the use of migrants carrying cash is not just an exclusive practice in the Italy-Albania corridor, but also in other corridors, including Italy-China, Senegal, Morocco and Serbia. Albanians bring money in cash when they visit their home country or send it through friends or relatives travelling home. Regulations in both Italy and Albania freely allows individuals to carry on their persons amounts not exceeding 12,500 euros. Amounts in excess of this threshold must be declared¹¹. Every year, *Guardia di Finanza* reports multiple cases of Albanians being fined/charged for not declaring the transport of bulk cash exceeding the set threshold. In 2004, *Guardia di Finanza* seized approximately 0.8 million euros not declared by persons who were carrying cash in excess of 12,500 euros. It is estimated that this is just a small fraction of the cash transfers that is being carried into Albania by travelers.

¹¹ Italy, *Guardia di Finanza* (2006).

Box 1. Formal versus Informal Funds Transfer Systems

Funds transfer systems may be characterized by different criteria depending on the perspective of the analyst. The international standard setter on anti-money laundering and combating the financing of terrorism (AML/CFT), the Financial Action Task Force (FATF) generally describes “formal” funds transfer systems as those included in the regulated financial system, leaving all other methods in the “informal” category.*

Formal Funds Transfer (FFT) systems

Formal systems are characterized by participation in the regulated financial sector. Such participation means that the institution involved in money transfer is supervised by government agencies and laws that determine their creation, characteristics, operations, and closure.

Formal systems typically include banks and credit unions, money transfer operators (MTOs) and other wire transfer services, and postal services.

Informal Funds Transfer (IFT) systems

Informal systems encompass all remaining fund transfers conducted by entities that are not regulated by authorities, e.g. ethnic stores, travel agencies, moneychangers, *hawala*-type systems, courier services, hand-delivery, physical transfer of cash.

* Financial Action Task Force (FATF). 2003. *Combating the Abuse of Alternative Remittance Systems: International Best Practices*. June 20.

FATF published typologies of Alternative Remittance Systems (ARS) and presented examples on the way ARS work in practice. For details see: FATF. 2005. *Money Laundering & Terrorist Financing Typologies*. June 10.

2.2 Dominance of Money Transfer Operators (MTOs) in the Formal Market

Money Transfer Operators (MTOs) dominate the formal market for money transfers to Albania. The role of commercial banks and the postal office in this corridor is limited. MTOs - non-bank financial institutions - offer a reliable and rapid way of making remittance transfers. Once a transaction has been initiated in Italy, the money can be collected by the beneficiary in Albania within a few minutes. This is made possible by software platforms and arrangements for settlement of transactions between originator and distributor agents. In comparison, banks require at least 2 business days for the remittance to be received by the beneficiary in Albania. Moreover, unlike banks, MTOs provide services to any person with a valid identification document (ID), regardless of his legal status in Italy. Most banks, on the other hand, only provide money transfer services to account holders. Furthermore, to open a bank account in Italy, persons must demonstrate their legal resident status.

Western Union conducts almost 80 percent of all transactions through financial institutions in the corridor. Western Union offers money transfer services through a large network of agents in Italy, which includes major commercial banks and facilitates transfers of money worldwide from practically any city or major town in Italy. In Albania, money can be paid to beneficiaries in at least 170 locations distributed in the main remittance-recipient areas. The main Western Union agents in Albania are banks and the Albanian Postal Office.

In 2004, **MoneyGram** – the second largest remittance company in the world after Western Union – started to provide money transfer services to Albania. For this corridor, MoneyGram, which currently has an approximate 10 percent market share of transfers through financial institutions, applies fees that are lower than Western Union. Currently, MoneyGram has a network of 104 agents in 44 towns in Albania. These agents include banks, phone centers, tobacco stores, and exchange bureaus. Its network of agents in Italy and Albania which collect/pay money transfers on its behalf is growing.

In terms of volume and number of transactions, the role of commercial banks in remittance payments from Italy to Albania is limited. In 2004, less than 10 percent of all remittance transactions were conducted using the banks’ own money transfer products, such as wire transfers or drafts (this excludes transfers conducted by banks on behalf of Western Union or MoneyGram). In a wire transfer, money is transferred from a deposit account in Italy to another deposit account in Albania through the SWIFT payment platform. The process generally takes more than 2 days as the bank in Italy needs to communicate with its regional office or a correspondent bank to process the order or when the Albanian bank conducts the payment in a remote branch.

Table 2. Banks in Italy Providing Remittance Transfers and other Financial Services for Migrant Workers (2006)

Banca Popolare di Puglia e Basilicata	It is offering services to migrants since the 1980s, and to Albanians since the 1990s. Services specifically tailored to Albanians’ needs are “Risparmio amico” (“Friendly Saving”), and “Deposito Amico” (“Friendly Deposit”). Albanian customers are given a check book, with no operation fees and maintenance fees of 10 euros per year. For sending remittances, there is a 3 euros commission fee, and a 3 euros fee for using SWIFT.
Banca San Paolo IMI	It operates in Albania through the acquisition of an Albanian bank. It operates 5 branches (<i>multi-ethnic points</i>) devoted to services for migrants in Rome, Turin, Padua, Naples and Pescara. Its product on remittance transfers is called “ <i>get money to your family</i> ”, which is based on a settlement agreement with correspondent banks. Although this service is not profitable for the bank, it aims at attracting more migrant customers for cross-selling financial products.
Banca Popolare Pugliese	It operates in Albania through the acquisition of an Albanian bank. On remittances, it charges a 2 percent commission fee with a minimum transfer of 5 euro.
Banca Sella	The Bank has an agreement with the Albanian Raiffeisen Bank, with every transaction at a fixed fee of 14 euros. No further cost is charged to the beneficiary.
Banca Popolare di Milano (BPM)	This cooperative bank is the 12 th banking group in Italy. With 727 branches, BPM has a large local branch network.
Unicredit	Unicredit is a retail bank with 2,500 branches. It is planning to launch new migrant banking products in the coming months. The bank’s strategy does not include remittances as an entry point for cross-selling of financial products given the low revenue and the need of having a large number of entry points.
Banca Popolare Emilia Romagna	It offers remittance services to Albanian migrants in Milan and Bologna. One of the products is “Conto World”. It charges a flat fee for remittances services of 7 euros per transfer.

Source: World Bank interviews with selected Italian banks in January 2006.

Italian authorities have taken measures to promote greater access by migrant workers to financial services and financial institutions in Italy. In 2004, Italian authorities formulated an “Action Plan on Remittances”, which calls for the expansion of banking services to migrants in Italy¹². Among other measures, the Plan encourages market participants to take specific actions to motivate migrants to use regulated institutions to transfer money home.

2.3 The Role of the Postal Office

With 14,000 offices, the Italian Postal Office has the largest network for origination of remittance transfers. *Poste Italiane* offers checking accounts, deposits, remittance transfer services and SWIFT transfers. Remittance transfer services are perceived as reliable and cheap by the migrant community in Italy. The Postal Service offers three options to send money abroad, including the international money order, Eurogiro, and MoneyGram. Due to its large network throughout the country, public trust and variety of products to customers, the Postal Office in Italy plays an important role in the initiation of remittance transactions to developing countries.

In Albania, the Postal Office has a more limited role than in Italy. The Albanian Post Bank conducts payments on behalf of Western Union and accepts international money transfers. However, it is not connected to the Eurogiro payment platform, which is the one used by the Italian Postal Office for remittance transfers.

In other corridors, the postal service conducts remittance payments, providing other types of financial services, especially in rural areas and remote locations with scarce access to branches of other financial institutions. Given its large branch network, the Albanian Post Bank could play a more active role in the delivery of remittances and provision of financial services in Albania.

2.4 Growing Number of Pre-Paid Cards

Recently, some Italian banks have started to offer pre-paid cards. Although initially not intended as a remittance product, the card is often used for this purpose by migrants from Senegal and Morocco. After being purchased and charged with funds, the card is sent to migrants’ home countries. It can be used by relatives at home to withdraw money from any ATM linked to VISA or ELECTRON payment platforms or for paying at any store accepting credit or debit cards. Pre-paid cards can be re-charged by the sender at the banks’ branches in Italy. Five million cards have been issued and the largest issuer has been the *Poste Italiane* which has issued more than 1.5 million cards. Its product, *Postepay*, costs 5 euros and charges 5 euros to withdraw money from abroad and 1 euro to recharge it. In Italy, a tax identification number is required to purchase a *Postepay* card.

¹² Italy, Ministry of Economy and Finance (2004).

Table 3. Main Pre-Paid Cards in Italy Issued by Banks

Payment Scheme	Issuing Bank	Payment Circuit	Distribution Channels¹³	ATMs	Internet
<i>Pagobancomat Prepagato</i>	Bank participating in the initiative	Pago Bancomat ¹⁴	The distribution channels are chosen by the single banks; currently these are only banking and financial channels	X	
<i>Sella/Planet</i>	Banca Sella	Visa Electron	Merchants selling phone cards issued by Planet Communication s.r.l.	X	X
<i>Sella/Money</i>	Banca Sella	Visa Electron	Any channel allowed by the legal framework	X	X
<i>Carta Prepagata Usa E Getta (Sisal)</i>	Banca Eurosystemi	Visa Electron/Maestro	Branches of the bank and SISAL network (mostly tobacconists)	X	X
<i>Soldintasca</i>	San Paolo IMI	Visa Electron/Maestro	Bank branches. It is also possible to buy the plastic card at merchants (in the real world or on the Internet); to load money on the plastic card customers need to go to a bank branch.	X	X
<i>Cartasi Carta Facile</i>	Any bank participating in the initiative	Carta Facile-Cartasi Visa Electron Maestro	Bank branches, financial agents and Internet websites.	X	X

Source: Bank of Italy (2005).

The number of ATMs in Albania is limiting the use of pre-paid cards for remittance transfers. While the use of pre-paid cards in Italy is becoming popular among the migrant community due to the low cost and convenience to conduct payments or transfer money abroad, Albanians are reportedly not using them yet due to the insufficient number of ATMs in their home country. The first ATM in Albania was established in 2004, and since then, the number of ATMs has been growing, although mainly in urban areas. The number of ATMs and retail stores that accept credit or debit cards is expected to continue to expand rapidly in Albania, providing more points to use pre-paid cards and other means of electronic payments.

¹³ As of last December, banks as well as electronic money institutions, may - based on specific agreements - use non-financial entities for the distribution of prepaid cards, on the basis of specific agreements with such entities.

¹⁴ COGEBAN is a national circuit; cash withdrawals and payment functions are available cross-border only in cases where the issuer has a partnership agreement with an international card network provider.

3 Factors Limiting the Growth of the Formal Remittance Market

Several factors that support a preference of migrant workers to transfer funds by carriage of cash include limited access to bank services by remittance-recipient households in Albania and senders in Italy, lack of trust in the Albanian banking system, limited number of remittance banking products, cost considerations, regulations that allow cross-border transfers and existence of an underground foreign exchange market for remittances.

3.1 Constraints to Access to Banking Services in Italy and Albania

Limited banking penetration in Albania and some internal policies of Italian banks make it difficult for migrants to transfer money through banks and force them to seek alternative means. Whereas in Italy almost 50 percent of Albanian migrants have a bank account, the Bank of Albania estimates that in Albania, only 26 percent of households receiving remittances maintain an account in an Albanian bank. The number of households with bank accounts in Albania is much lower in rural areas¹⁵.

Internal policies of many Italian banks prescribe that only account holders can have access to banks to send and receive money transfers. Italian banks usually, however, do not open accounts for foreigners who are unable to provide evidence of their legal residence in Italy. These internal procedures tend to limit access to banks to the group of workers from Albania that are not documented by authorities.

In Albania, cash is the predominant means of payment, accounting for 95 percent of retail transactions. This also creates incentives to remit money in cash to facilitate its use by family members in Albania. While the number of bank branches and ATMs in Albania is expanding, they remain insufficient to serve the needs of the Albanian population. At the end of 2005, 17 banks with a total of 240 branches and agencies were operating in Albania, giving a ratio of one bank branch or agency per 16,666 people. This is relatively high, compared to neighboring countries, where there are more bank branches to serve the population (one branch per 4,500 people in Croatia, 3,200 in Greece, 1,900 in Italy, 3,540 in Hungary)¹⁶.

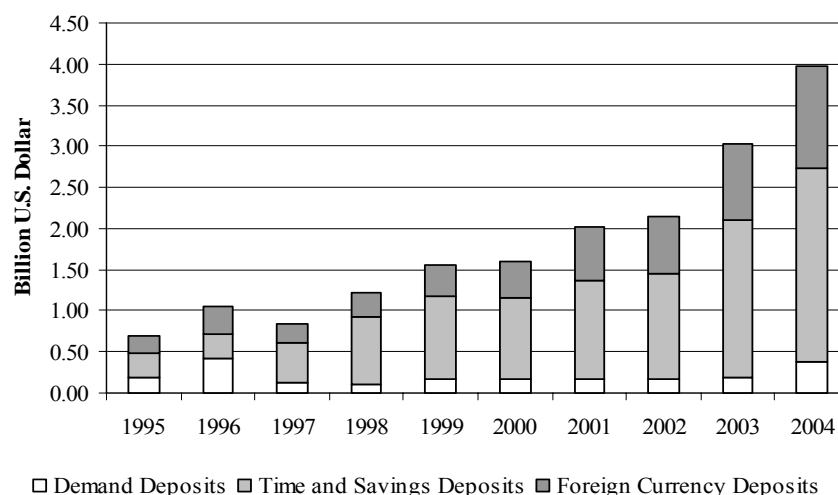
3.2 Trust in the Albanian Banking System

Another major factor hampering the use of banking institutions for remittance transfers in this corridor is the limited trust of Albanians in the banks operating in their country. Depositors' confidence was undermined after many people lost their savings following the collapse of the pyramid schemes in 1997. Confidence is, however, gradually being restored, as evidenced by the rapid growth of deposits in recent years, from US\$ 0.7 billion in 1995 to US\$ 4 billion in 2004.

¹⁵ IMF (2006).

¹⁶ World Bank (2005).

**Figure 4. Value of Deposits in the Albanian Banking System, 1995-2004
(billion US dollars)**



Source: Bank of Albania (2005) and IMF (2005b).

3.3 Limited Interest of Banks in Remittance Products

Banks in Italy, in general, do not view remittance transfer services as an attractive line of business. Consumer loans, mortgages or other type of retail banking activities are viewed as more profitable than remittances. Nonetheless, with the rapid growth of transfer of funds by migrant workers, banks are becoming more aware of the business opportunity in developing financial services for remittances, which are specially tailored to the different migrant groups. Recently for example, the American Bank of Albania, which has a subsidiary in Greece, introduced a mortgage product that allows migrants and beneficiaries of remittances to purchase a house using the regular cash flow from remittances that originate in Greece. This innovative product is a positive development in the marketplace. However, other Albanian or Italian banks have yet to introduce similar products for the Italy-Albania corridor.

Presence of Italian banks in Albania is limited. Currently, the largest foreign banks in Albania are owned by Greek or Austrian investors. There are only two Italian banks operating in Albania, namely, Banca San Paolo IMI, which acquired Banca Italo-Albanese in November 2005, and Banca Popolare Pugliese, which acquired the Albanian Dardania Bank in May 2005. These two banks are satisfied with the number and pricing of products they currently offer to transfer money abroad through their correspondent banks. There are no indications that other Italian banks will be expanding their operations into Albania in the near future.

3.4 Limited Competition, High Fees and Few Products in the Marketplace

MTOs operating in the corridor offer transfer services that are faster and more convenient than banks. In comparison to other corridors, however, the fees paid by customers in this corridor for sending money through banks and money transfer

companies are high¹⁷. For example, for a remittance transfer in the amount of 300 euros, the average amount per transaction sent by Albanians to their home country, Western Union charges 23.50 euros (or 8 percent of the amount sent). A significant market share of almost 80 percent, enables Western Union to sustain that level of prices. Other operators, which charge less for a similar service have a combined market share in this corridor of only 20 percent. MoneyGram, for example, started to operate in this corridor in 2004. Since then, the volume of its transactions has increased.

Table 4. Cost of Sending 300 euros from Italy to Albania

Company	Product	Fee in Euros	Percentage
Western Union	Money transfer	23.50	8.0%
MoneyGram	Money transfer	13.50	4.5%
Banca Sella	SWIFT transfer	14.00	4.6 %
Banca Popolare di Puglia e Basilicata	SWIFT transfer	6.00	2.0 %
Banca Popolare Emilia Romana	SWIFT transfer	7.00	2.3%
Banca San Paolo IMI	SWIFT transfer	15.00	5.0%
Italian Post Office	Postepay (prepaid debit card)	6.00	2.0%

Source: World Bank interviews in December 2005 and January 2006.

3.5 Black Market for Foreign Exchange

Another important factor encouraging migrants to send money in cash to Albania is the existence of a black market for foreign exchange¹⁸. As observed in other corridors, by changing euros or dollars for the local currency in the black market, migrants and their families in Albania receive a better exchange rate than the one offered by financial institutions. The increasing number of unregistered exchange offices remains a concern. Under current Albanian law, authorities can only take administrative actions against an unregistered exchange office. The Albanian authorities are preparing a strategy which is intended to address some of the issues, including making illegal foreign exchange operations a criminal offense under the penal code.

¹⁷ World Bank (2004b, 2004c).

¹⁸ Additional analysis on the black market for foreign exchange needs to be conducted.

4 Regulatory Environment Affecting Remittances

There are no regulations in Italy and Albania restricting companies from providing money transfer systems or limiting the ability of banks to create new financial products aimed to serve migrant communities, provided they are licensed by the respective financial sector authorities and comply with applicable AML regulations. For money transfer operations from Italy to other countries there is a reporting threshold for amounts of 12,500 euros (US\$ 15,383) and above.

The AML Law imposes the same identification, record keeping and reporting requirements on the money transfer operators as on the other financial institutions. This means that only customers that perform transactions exceeding 12,500 euros (US\$ 15,383) have to be identified. Some operators, however, impose internal identification threshold of zero, which also allows them to send the originator information with the transaction. Other operators require identification for transfers exceeding 3,100 euros.

4.1 AML/CFT Regimes in Italy and Albania

In Italy, there is no specific provision in the AML law requiring identification and verification of identity. However, in practice, banks ask migrant workers to present valid documents, e.g. a residence permit (*Permesso di Soggiorno*).

The main authorities responsible for enforcing the Italian AML/CFT requirements on remittances are the *Ufficio Italiano dei Cambi* (UIC)¹⁹ and the *Guardia di Finanza* (GdF). The UIC, which is an agency of the *Banca d'Italia*, acts as the Italian Financial Intelligence Unit (FIU). It undertakes the reporting, monitoring and analysis of suspicious transactions reports on AML/CFT²⁰. The Special Currency Police Unit of the GdF is responsible for AML compliance of institutions not prudentially supervised, including companies that are involved in money transfers.

Albania has in place an AML/CFT regime, implemented through an FIU working with its counterpart in Italy. In 2000, the *Agency for Coordinating the Combat of Money Laundering* (ACCML) became the Albanian FIU. In 2005, it became operationally and budgetary independent from the Ministry of Finance. The main tasks are gathering, analyzing information and disseminating results to relevant authorities²¹.

¹⁹ Italy, Law 388 of 23 December 2000, Art. 150.

²⁰ Italy, Article 151, para.1, Law 388, December 23, 2000.

²¹ The Albanian FIU has signed 23 agreements of collaboration with counterparts with regional and international counterparts; it is party to the Egmont Group and it received technical assistance from the US Treasury, the US State Department, Italian authorities, Council of Europe, IMF and World Bank.

Box 2. Customer Identification Requirements in Italy

There is no specific provision in the AML law requiring the identification and verification of an individual on the basis of a valid document. The AML law only refers to “identify document”.

With respect to occasional transactions at or above euros 12,500 or the opening of an account or other continuing relationship, intermediaries are required to collect and record the following identification data:

- the name, surname, place and date of birth, address and the details of an identification document shown by those who perform the transaction for themselves or third parties. Valid documents accepted by financial institutions include:
 - Identity Card, valid 5 years (*Carta d'Identità*);
 - Passport, valid 10 years;
 - Driver's License, valid 10 years;
 - Residence Permit, valid 1 year (*Permesso di Soggiorno*);
 - Certificate of single nationality only and exclusively with Tax Identification Number (*Codice Fiscale*), if emitted before 1999.
- in the case of a legal person, the name and registered office of the person on whose account the transaction is carried out or the account or other continuing relationship to be opened;
- the fiscal code of the person executing the transaction or opening the account or other continuing relationship and the fiscal code of the person for whose account the transaction is to be executed or account or other continuing relationship opened; and
- in the case of credit or payment orders, the above information regarding the person originating the order, the beneficiary and the intermediaries who carry out the operation.

* Information obtained during team's dialogues with market players.

Source: Italy, Article 3 of the Ministerial Decree of 19 December 1991.

4.2 Regulation for MTOs in Italy

Only Money Transfer Operators registered by the *Ufficio Italiano dei Cambi* (UIC, the Italian Financial Intelligence Unit) in the General Register can be engaged in financial activities. Registration conditions include a paid-up share capital of 600,000 euros²². In addition, experience and integrity of the shareholders and corporate officers is verified. There are currently 25 money transfer operators which include the large international providers and providers that serve only one or a few countries. There are 12,679 sub-agents of these operators that are registered in a separate list by the UIC²³.

4.3 Threshold for Declaring Physical Transport of Cash

Both Italy and Albania have regulations on reporting of transfers of cash across borders. The reporting threshold, however, differs in Italy and Albania. In Italy, the reporting requirement applied to the physical transportation of cash, securities and other monetary instruments from or to Italy²⁴ for residents or non-residents is 12,500 euro²⁵.

²² Italy, Article 106 of the Banking Law. These operators are required to be a *società per azioni*, *società in accomandita per azioni*, *società a responsabilità limitata* or *società cooperative*.

²³ Italy, Article 3 of Legislative Decree 374/1999 states the registration requirements for these financial agencies while the Ministerial Decree 485/2001 and the *Provvedimento* issued by the UIC on 11 July 2002 implement this disposition and clarify the requirements to register in the separate UIC list.

²⁴ Legislative Decree 125 of 30 April 1997.

²⁵ The threshold is lower than the one set by the European Union which is 15.000 euro.

In the case of Albania, the threshold is set at about 8,170 euro²⁶. In both countries, these are only reporting requirements and no approval is required for the transfers. Amounts below the respective threshold can be sent/received without submission of any reports.

5 Maximizing Impact of Remittances in Albania

Maximizing impact of remittances is important for a labor-exporting country, such as Albania. 25 percent of population and almost 35 percent of the Albanian labor force is employed abroad. Out of 189,735 of households that benefit from remittances to Albania, the number of beneficiary Albanian families receiving money from Italy is estimated at 84,722 households²⁷.

Extensive use of cash in remitting funds between Italy and Albania limits the developmental potential of these flows in Albania. Such forms of remittance transfers do not have the same economic effect as transfers through the financial system. Remittance transfers intermediated through financial institutions constitute an important source of funds for financial institutions and open the possibility to develop new products that address financial needs of remittance beneficiaries. Such transfers may create greater multiplier effect with higher level of deposits and possibly bank lending. By leveraging on remittance income, households could borrow from banks for small and medium scale economic activities or gain access to other financial products (e.g. life and non-life insurance, annuities, pensions, consumer credit, housing finance).

5.1 Financial Products for Migrants

Recent studies show that the demand for financial products by the migrant population in Italy is increasing.²⁸ The increase in the number of loans in Italy in the past five years can be partially attributed to the larger presence of migrants. The regularization of migrants that took place in 2002 and 2003 has resulted in a larger access to finance by migrants, who were already living in Italy, although without a legal status. In 2004, total bank credit disbursed to foreigners living in Italy was US\$ 6.06 billion, increasing fivefold from US\$ 1.17 billion in 2000.

**Table 5. Growth in Credit Disbursed to Foreigners
in Italy, 2000-2004 (million US dollars)**

	2000	2001	2002	2003	2004
Total disbursed	1.171	2.101	2.920	4.235	6.06
Δ%	N.A.	79.3	39	45	43.1

Source: ASSOFIN (2005).

The International Organization on Migration (IOM) estimates that the savings of Albanians abroad amounted to US\$ 5 billion (equivalent to 70 percent of Albania's GDP in 2004). One of the most important challenges for Albania, therefore, is to create an enabling environment to leverage remittance flows by offering migrants a wide range of opportunities to invest in Albania (e.g. providing complementary financing for

²⁶ The original denomination is 1 million leks.

²⁷ Preliminary results from a survey conducted by Bank of Albania (2005).

²⁸ ASSOFIN (2005).

housing, establishing mechanisms to channel funds to finance small infrastructure projects in their home-towns, encouraging migrants to become shareholders in privatized companies, etc). Currently, investments by the Albanian *diaspora* occur mostly in the real estate sector – building of homes – and establishment of small retail stores. However, much more could be done to encourage Albanians to diversify their investments into other sectors, which would increase economic activities and lead to new job creation.

5.2 Use and Sustainability of Remittances

A major concern in Albania is that remittance flows are mainly used for consumption purposes (in particular consumption of imported goods). This has led to a growing trade deficit in Albania, which in 2004 reached 25 percent of Albania's GDP. While remittances provide poor households with additional income, they are not translated into investments that would help Albania create more jobs and contribute to economic growth.

Given the increasing number of Albanians working abroad, remittances inflows into Albania will remain significant in the near term. Albania will continue to depend heavily on remittance-related income in financing domestic consumption. Its importance to the economy will continue in the light of low domestic investments. Given the large amount of remittance inflows in Albania, any major reversal in remittance flows may not just lead to a current-account adjustment, but also to depreciation of the currency. The subsequent lower consumption and aggregated demand would cause multiplier effects that would aggravate lower income for remittance-recipient households²⁹.

6 Policy Recommendations

These policy recommendations are aimed at raising the participation of financial institutions in the remittance corridor between Italy and Albania and support the Albanian government's efforts to maximize the development impact of remittance flows. They take into consideration the active role that both countries play in the global initiatives on remittance transfers. **Italy has been actively involved in international initiatives on remittances**, including the Italian Action Plan of Remittances presented at the Sea Island Initiative in 2004, the World Bank/CPSS task force on the General Principles for International Remittance Systems, and the IMF Committee on Balance of Payments Statistics. **Albania is a pioneer in establishing a National Strategy on Remittances** in addition to initiating household surveys on the use of remittance flows in Albania. It has actively participated in international fora discussing the major issues related to remittances. Such activities provide a basis for both countries to engage in a dialogue to maximize the economic impact of remittance flows.

This set of policy recommendations could be implemented under the framework of a bilateral initiative between Italy and Albania. Given that remittances are private flows, any initiatives would necessarily involve the private sector. In particular, incentives would be targeted at facilitating the development of transfer mechanisms for remittances

²⁹ Further analysis on the dependency of the Albanian economy on remittances is needed.

and promoting investments and new economic activities by the Albanian *diaspora*³⁰. The framework might include actions toward three main objectives:

- 1) Strengthening the institutional framework for remittance transfers,
- 2) Promotion of access to finance in both Italy and Albania,
- 3) Implementing financial literacy programs for migrants.

The Apulia Region could take the lead on implementing a pilot of several recommendations. In particular, financial literacy programs, awareness-raising on the benefits of access to financial institutions for remittance transfers, and enhancing security measures to protect the integrity of the remittance flows. The participation of the Italian Banking Association (ABI) and the Albanian Banking Association (ABA) is fundamental to implementing the proposed policy recommendations {to be discussed with Convergence and other stakeholders}.

6.1 Increasing Collaboration among Italian and Albanian Authorities to Promote Use of Formal Channels for Remittance Transfers

The authorities in Italy and Albania could coordinate policies which aim at promoting increasing access to financial institutions among remittance senders and beneficiaries. Some specific actions that could be explored include formalization of physical transfer of cash, strengthening institutional framework for remittance transfers and increasing coordination among local agencies, better data recording mechanisms and exploring an opportunity for a pension agreement between the two countries.

- Formalizing physical transfer of cash. The practice of carrying cash is deeply rooted among Albanian migrants. Therefore, promoting a registration program for those individuals offering cash courier services will regularize this phenomenon and increase the transparency of cash transfers. In addition, some financial products, such as insurance for the transfer of cash by migrants, could be developed. Over the longer-term, authorities could promote the use of electronic payroll schemes by employers in Italy with the option of transferring a percentage of wages to a remittance beneficiary account in Albania.
- Strengthening the institutional framework for remittance transfers. Policies on remittance transfers would affect the responsibilities of various agencies (e.g. central bank, Financial Intelligence Unit, Ministry of Finance, Ministry of Foreign Affairs, etc). Success of policies would require coordinated implementation among these agencies. There would be a need to set up a working group comprising all relevant agencies to design and recommend policies to achieve the above objectives and ensure its appropriate implementation.
- Improving data on remittances. Financial sector authorities in Italy and Albania recognize the need to improve the data on remittances, especially with regards to remittances that take place through informal channels. Additional information on remittances is needed to understand their impact on consumption, savings, and investment for both sending and recipient countries. Also, better data is needed for the formulation of macroeconomic policies and to better understand the

³⁰ An example of this type of bilateral agreement is the Partnership for Prosperity signed by the USA and Mexico. See: <http://www.state.gov/p/wha/rls/fs/8919.htm>.

impact of remittances on poverty alleviation. Finally, accurate data on volume of remittances transfers and opportunities for new services to remittance beneficiaries could create incentives for new market players to offer innovative remittance products, which would create a more dynamic and competitive formal remittances market.

- Exploring an opportunity for a pension agreement. An area to explore in the future is the possibility of a pension agreement between Italy and Albania. Particular attention could be devoted to create innovative products such as annuities for foreign workers that provide pension benefits to all workers in Italy regardless of their national origin or residence status. Perhaps, Albania and Italy could assess the convenience of mutually recognizing the contributions of their guest workers to their social security systems. Further analysis on this issue is required by both countries.

6.2 Promoting Access to Finance in Italy and Albania

A series of actions could be undertaken to promote access to financial services for different purposes, such as SMEs financing tailored to migrant workers, new remittance products, and consumer lending as an entry point for electronic remittance transfers. The postal office system could be extended to provide an extensive network for wide distribution of remittances and other financial services in Albania³¹.

- Encourage Italian employers to pay salaries to their Albanian and foreign workers through electronic transfers into migrant bank accounts. Currently, many Albanian workers in Italy –especially those working in the construction sector -- receive their salaries in cash. By encouraging employers to pay salaries into a bank account, the level of access of migrants to financial services would increase and trust towards formal financial intermediaries may be strengthened.
- Develop SMEs financing for migrant workers. A program advising Albanian migrants on how to develop business plans to encourage ventures into small and medium scale (SMEs) economic activities. New ventures could be promoted in specific areas where local government lobby migrants living in Italy for specific project with community development impact. This program could also support integration of Albanian *diaspora* in remittance sender countries.
- Develop financial products for senders and recipients. Banks in Italy have different strategies to promote financial services among migrant communities. The success of these strategies will depend on a higher degree of collaboration with banks in the remittance receiving countries. However, the development of the financial sector limits the possibility of some products if additional efforts are not included to improve payment systems in the last. Therefore, the development of transfer and dual cards, cellular phone remittance platforms, and remittance transfer through the postal office could facilitate the integration of migrant workers into banking services and promote new avenues in home countries to accelerate integration of remittance recipient households into the financial system.

³¹ Feasibility and implications of this recommendation require further analysis.

- Consumer lending. Following the rapid growth of consumer lending in recent years among migrant workers in Italy, new entry points for electronic transfers could be explored with department stores and consumer retailers. MTOs and banks could offer new products that not only include remittance services but also the delivery of goods to Albania.
- Transform the Postal Office into a provider of financial services. *Poste Italiane* embarked on an assistance program for Morocco to enter the EuroGiro payment system. It is also willing to participate in other developmental initiatives including Albania. As it serves the low income population, its extensive network represents an excellent entry point for the promotion of electronic transfers to Albania. Additional work is needed to strengthen the postal service in Albania.

6.3 Designing and Implementing a Financial Literacy Programs for Migrants

A comprehensive plan to promote financial literacy among Albanian migrants should be implemented in both Italy and Albania to improve their awareness and strengthen their confidence in financial institutions in both countries.

- Pre-departure programs. Italy's controlled migration policies could permit the development of pre-departure programs that could be conducted among prospective migrants. The program could include information regarding MTOs and banking products in Italy. In addition, participation of banks could promote the opening of bank accounts in Albania for the future beneficiaries and bank accounts in Italy for remittance senders.
- Financial education for ethnic communities. The degree of integration of the different ethnic communities living in Italy differs from each other. Banks could promote basic financial education in cooperation with consulates, migrant organizations and other stakeholders. The Albanian ethnic newspaper, and others, could play a critical role in financial education.
- Campaigns to promote the use of formal money transfer products. A coordinated campaign with customs and *Guardia di Finanza* could discourage the use of cash couriers by explaining the risks and promoting remittance products that are already available in the country. New services for collection of remittances could be established at airports and ports where the migrant could leave cash, pay a symbolic fee and get the money back upon arrival in Albania. This service could be sponsored by the main market players, as a way to promote the use of electronic transfers and gain trust to the use of financial institutions.

Key Recommendations and Action Plan

Actions	Timeframe (to be discussed)
Design and implementation of a Bilateral Agreement on Remittance Systems between Italy and Albania.	Early 2006
<i>Increasing Collaboration among Italian and Albanian Authorities to Promote Use of Formal Channels for Remittance Transfers.</i>	
Formalizing physical transfer of cash. <ul style="list-style-type: none"> • Registration program for those individuals offering cash courier services • Insurance for physical transfer of cash by migrants • Use of electronic payroll schemes by employer in Italy with the option of transferring a percentage to a remittance beneficiary account in Albania. 	Early 2006 to mid 2006
Strengthening the institutional framework for remittance transfers and increasing coordination among domestic agencies involved on remittances.	Early 2006
Improving data on remittances.	Ongoing
Exploring an opportunity for a pension agreement.	Mid 2006
<i>Promoting Access to Finance in Italy and Albania.</i>	
Payment of salaries of migrant workers through bank institutions	Mid 2006
Establishment of new SME financing for migrant workers.	Early 2006 to mid 2006
New Financial Products for senders and recipients: <ul style="list-style-type: none"> • Development of transfer and dual cards, cellular phone remittance platforms, and remittance transfer through the postal office 	Mid 2006
Consumer lending as an entry point for electronic transfers could be explored with department stores and consumer retailers.	Mid 2006
Development of the postal office as an agent for financial services to remittance senders and receivers.	Mid 2006 to early 2007
<i>Designing and Implementing a Financial Literacy Programs for Migrants.</i>	
Pre-departure programs.	Mid 2006
Financial education for ethnic communities.	2006 to late 2006
Campaigns to promote the use of formal transfer systems.	Immediately

Bibliography

- Albania, Government of Albania. 2005. *National Strategy on Migration and National Action Plan on Migration*. Tirana. July.
- ASSOFIN (Italian Association for Real-estate and Consumption Credit), CRIF, and PROMETEIA. 2005. "Il credito alle famiglie stranieri." In *Observatorio sul Credito Al Dettaglio*. June.
- Barsotti, Odo and Eros Moretti. 2004. *Rimesse e Cooperazione allo Sviluppo*. Milan.
- Bonifazi, Corrado and Dante Sabatino. 2003. "Albanian migration to Italy: what official data and survey results can reveal." *Journal of Ethnic and Migration Studies* 29(6): 967-995.
- Cerretelli, Sara. 2003. *ENAR Shadow Report: Italy*. European Network Against Racism.
- CESS (Centre for Economic and Social Studies). 2003. *The encouragement of social-economic development in relation to the growth of the role of the remittances*. August.
- EIU (Economist Intelligence Unit). 2005. *Albania Country Report*. November.
- European Commission. 2005. *Albania 2005 Progress Report*. Brussels. November.
- Faini, Riccardo. 2002. *Migration, Remittances and Growth*. September.
- Giuliano, Paola and Marta Ruiz-Arranz. 2005. *Remittances, Financial Development, and Growth*. IMF Working Paper. December.
- IMF (International Monetary Fund). 2005a. *Albania: 2004 Article IV Consultation*. Washington, D.C.. March.
- . 2005b. *International Financial Statistics Yearbook*. Washington, D.C.
- . 2005c. *Italy: 2004 Article IV Consultation*. Washington, D.C.. February.
- . 2005d. *Balance of Payments Yearbook*. Washington, D.C.. August.
- . 2006. *Albania: Poverty Reduction Strategy Paper: Annual Progress Report*. Washington, D.C..
- INPS. 2002. *Dati lavorati albanesi tratti da Rapporto INPS – Immigrazione: una risorsa da tutelare*. Rome.
- ISTAT (Italian Statistical Office). 2005. *La popolazione straniera residente in Italia al 1 Gennaio 2005*. January.
- Italy, Legislative Decree 385, "Banking Law, September 1, 1993
- Italy, Legislative Decree 125, April 30, 1997
- Italy, Law 388, December 23, 2000-
- Italy, Guardia di Finanza. 2006. *Valuta Transita Anno 2004*. Power Point Presentation dated January 21. Processed.
- Italy, Ministry of Economy and Finance. 2004. *Italian Action Plan on Remittances*. Rome.

- Jarvis, Christopher. 2000. "The Rise and Fall of Albania's Pyramid Schemes." *Finance and Development* 37(1). March.
- Korovilas, James P. 1999. "The Albanian Economy in Transition: the Role of Remittances and Pyramid Investment Schemes." *Post-Communist Economies* 11(3).
- Kosta, Barjaba. 2004. *Albania: Looking Beyond Borders*. August. See online article at <http://www.migrationinformation.org/Profiles/print.cfm?ID=239>.
- King, Russel, Nicola Mai, and Stepahnie Schwandner-Sievers. 2005. *The new Albanian migration*. Brighton: Sussex Academic Press.
- Natale, Marcello and Salvatore Strozza. 2003. *Lavoro, reddito e rimesse degli immigrati stranieri in Italia: finalita', progettazione e realizzazione di un'indagine sul campo*. Milan.
- Piperno, Flavia. 2002. *Albania to Italy. Formation and basic features of a binational migration system*. CeSPI (Centre for International Political Studies) Working Paper.
- . 2003. *Remittances enhancement for the local development in Albania: constraints and opportunities*. CeSPI (Centre for International Political Studies) Working Paper.
- . 2005. "Albanian migrants' remittances: A development opportunity?" In Russel King, Nicola Mai and Stepahnie Schwandner-Sievers, eds., *The new Albanian migration*. Brighton: Sussex Academic Press.
- Rhi-Sausi, Jose Luis. 2005. "Risultati preliminari dell'indagine ABI-CeSPI sulla bancarizzazione dei migranti in Italia." Rome. October.
- United Nations. 2005. "A/C.2/60/L.15/Rev.1: Facilitation and reduction of the cost of transfer of migrant remittances." Sixtieth Session of the Second Committee. New York. December 14.
- World Bank. 2003. *Global Development Finance*. Washington, D.C.
- . 2004a. *Building Market Institutions in South Eastern Europe: Comparative Prospects for Investment and Private Sector Development*. Washington, D.C.
- . 2004b. Hernandez-Coss, Raul. *The Canada-Vietnam Remittance Corridor*, World Bank Working Paper no. 48, November. Washington, D.C.
- . 2004c. Hernandez-Coss, Raul. *The US-Mexico Remittance Corridor*, World Bank Working Paper no. 47, October. Washington, D.C.
- . 2005. Beck, Thorsten *et al.* 2005. *Reaching Out: Access to and Use of Bank Services Across Countries*. World Bank Policy Research Paper. Washington, D.C.
- . 2006a. *Bilateral Remittance Corridor Analysis (BRCA) Guidelines* (forthcoming). Washington, D.C.
- . 2006b. *Global Economic Prospects: Economic Implications of Remittances and Migration*. Washington, D.C.
- Zwager, Nicolaas de et al.. 2005. *Competing for remittances*. IOM (International Organization for Migration) Tirana. June.