



# **REMITTANCES: AN OPPORTUNITY FOR GROWTH**

## **How To Build An Action Plan?**

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# This Is A “Convergence” Review

**“Convergence”**<sup>1</sup> is a financial sector development program for South-East Europe focused on:

- Undertaking, as an “honest broker”, analytical tasks of micro-institutional issues as a basis for identifying solutions tailored to country circumstances
- Taking EU integration as a strategic perspective
- Building awareness of market participants, involving them in the search of market-building solutions, and fostering their dialogue with authorities
- Using the experience of regional former policy makers and local experts whenever possible
- Working in partnership with other institutions

# The Remittances Market from Italy to Albania

Annual remittance flow from Italy to Albania  
(2004)

**EUR 260 million**

**More importantly**

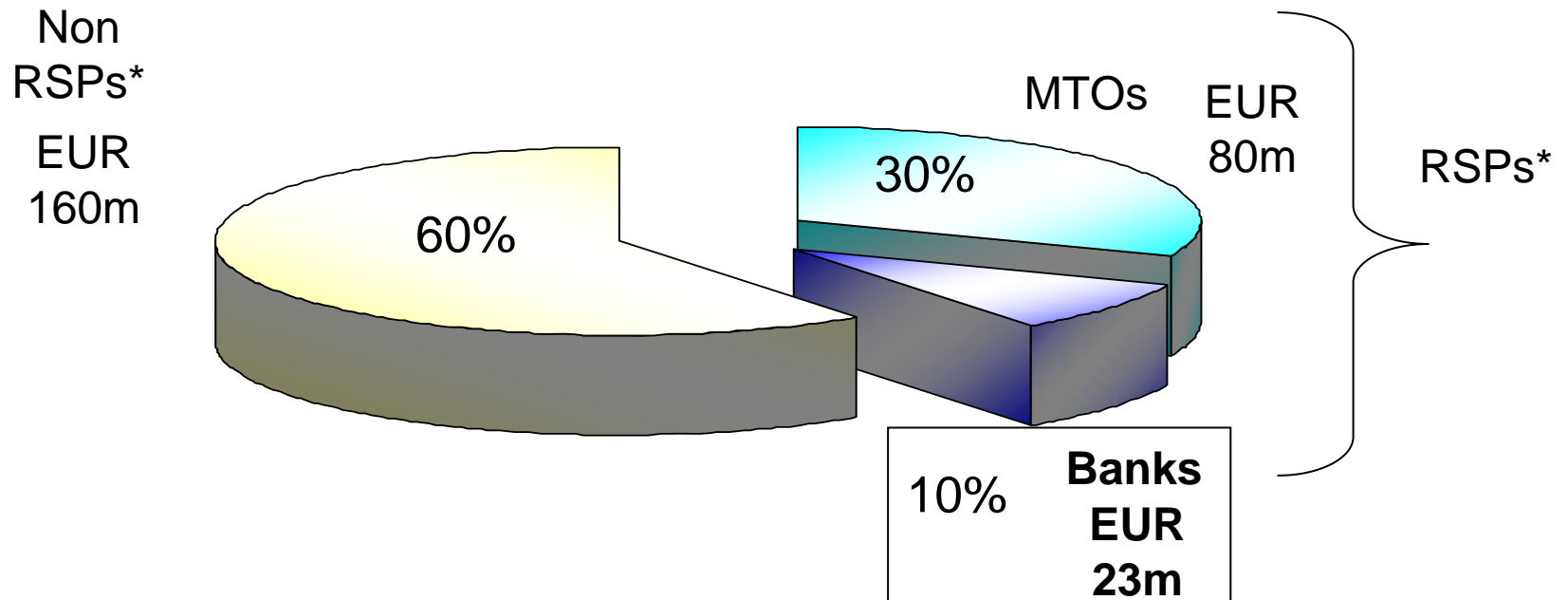
Estimated total annual income of Albanian  
workers

**EUR 2.5 billion**

**With corresponding financial needs**

# The Banks Are Minor Players In the Remittances Market

(EUR m, 2004)



\*= **RSP** stands for remittance service provider. **Non RSP** refers to those who transfer cash physically.

Source: *The Italy-Albania Remittance Corridor*, The World Bank

# Implications

## Italy

- Earning power not used as a lever for access to financial products (savings and financing)
  - Build-up of credit record
- High transfer cost
- Transaction risks

## Albania

- Built-in immediate consumption bias for remittances
- Contributes to high cash levels of Albanian economy
- Lack of pooling ability by banking sector hampers investment financing

# Strong Financial Incentives for Banking Services

- Foregone transaction revenues from non-bank intermediated remittances (Italy and Albania): EUR 150 million /5-years
- Foregone lending and deposit revenues from same flows : EUR 1,500 million /5-years
- Particularly relevant for Albanian banks
  - Total annual remittances: 25 % client deposits

# Questions For Discussion

- Growth of bank remittances intermediation is more complex than domestic intermediation
  - It depends on coordinated private and public actions in both countries, resulting into a compatible financial infrastructure

- How do banks look at this market opportunity?
- How long does it take to develop a good product platform in the “last mile”?
- How can the “first mile” banks support the “last mile” banks?
- How critical is coordination among authorities? 7

# Where To Start From?

- What can Italian banks do?
  - In Italy and with Albanian correspondents
    - Individual and collective actions
- What can Albanian banks do?
  - Opportunity to import advanced “product bundles”
    - Individual and, particularly, collective actions
- What assistance do they need from authorities?
  - Clarity and market friendliness of regulations
- Infrastructural development needs
  - Italy and Albania - and bridges
- Data to measure progress