



TERMS OF REFERENCE

ALBANIAN REMITTANCES IN ITALY: BUSINESS POTENTIAL MAPPING SURVEY

NICOLA CONIGLIO

I. Expected output

This business potential survey consists of drafting a **quantitative and qualitative territorial mapping** of the remittance flows from Italy to Albania. In particular, in cooperation with ABI, Convergence will compute the following five detailed territorial maps relating to Italy-Albania remittances:

- A) First map: it will describe the nature of the banking business related to Albanians in Italy. The map should identify (at both an individual bank and territorial level) the main financial products – not only those related to payments – offered to Albanian migrants by Italian banks and quantify the size of the involved savings. This will highlight that this business is profitable and also will put Albanian banks in the best place to identify which Italian banks are investing the most to supply financial services to Albanian migrants;
- B) Second map: it will report the present (still underdeveloped) remittance flows;
- C) Third map: it will estimate – based on the Albanians residing in each province and on their presumed incomes – the Italy-Albania remittance potential of each province;
- D) Fourth map: it will assess, still on a provincial basis, the distribution of bank branches through which remittances should be channeled;
- E) Fifth map: it will report a bank-level synthetic indicator which – by weighting the territorial remittance potential with the presence of the branches of that specific bank – will identify which Italian banks are in the best position to channel the Italy-Albania remittances.

In doing that, attention should also be paid to the potential flows that on a dynamic perspective could shift from one remittance channel to another, once proper active actions are taken.

The consultant is expected to:

1. **act as junior researcher;**
2. **do his work closely with and under the direction of a scientific director;**

The Consultant will report to the Scientific Director.



The present section is integrated by the Masterplan in the Annex.

II. Activity Budget

Mr. Coniglio will be paid a daily fee of X euro (net of taxes), plus travel costs and per diem will be credited. He is expected to provide his services for no more than 19 days.

The present section is integrated by the Masterplan in the Annex.

III. Fee payment

Upon delivery of the expected output.

IV. Introduction and Background

Lessons learnt from the Conference held in Bari are that Albanian workers in Italy use the banking channel for only 10% of their annual remittance flow. This means foregone business opportunities for both Italian and Albanian banks (but, relatively speaking, the loss is far more important for the latter than for the former). This has also negative public policy implications, as the authorities in Bari have highlighted.

The business case for a more activist banking industry approach to capture an increased share of the remittances flow is thus compelling – both financially for the banks and from a public policy perspective. But the real question is where to start from, and what first steps this market development strategy should have.

In trying to answer this question, efforts are being made to better understand and monitor the size and nature of these flows, the incentives that influence them, and the mechanisms through which they are transmitted, in order to develop policies to lower their transaction costs, enhance their developmental impact in the recipient countries, and minimize opportunities for misuse. It is believed that all of these objectives will be furthered by encouraging senders to channel a growing proportion of remittances through formal financial institutions. The “formalization” of remittance flows can, *inter alia*, open the access of both senders and receivers to other financial services, providing both additional income-earning opportunities and enhanced capacity to manage their financial risks.

V. The “Convergence” Program

The “Convergence” Program has been set up to help financial sector authorities of seven South-East European¹ countries start incorporating considerations of market

¹ The countries are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia and Montenegro.



development issues in the regulatory fine-tuning work that is necessary to promote real convergence of their economies with the EU. In advanced economies, “business-friendly” issues are routinely taken into consideration in the legal and regulatory process owing to the existence of large analytical capabilities in financial economics, banking and finance and legal and regulatory matters within their civil societies in the context of ongoing close consultations between authorities and market participants.

Towards this objective, “Convergence” will use two instruments: 1) to undertake, in open consultation with relevant country and international stakeholders, analytical studies of micro-structural issues that, if properly regulated, could increase growth and efficiency of financial sector intermediation; 2) supported by a specific “Convergence” *honest broker* opinion, to bring the results of these studies (and those sponsored by other institutions) to the attention of authorities for decision-making. It is expected that, by fostering public-private dialogue on the basis of professionally-prepared technical proposals, “Convergence” will create the incentives for private sector investment in collective analytical capabilities that will eventually strengthen the business relevance of financial sector regulatory activities.



Annex



