

REMITTANCES – A GATEWAY TO SUSTAINABLE DEVELOPMENT

Lessons learned from the implementation of
Project Greenback in Albania

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FOREWORD

Migrant workers' remittances reached a staggering \$540 billion in 2020, despite the crisis caused by the COVID-19 pandemic. However, the cost of sending remittances remains high for most monitored transfer channels compared to the objectives set by G20 and UN SDGs. Lowering the costs of remittances and increasing available services for migrants and remittance beneficiaries worldwide remains at the core of the global development agenda.

In this context, the World Bank has been implementing Project Greenback in several countries of the world, including Albania. This initiative aims to increase the efficiency of international remittances and boost the benefits they yield for individual families and entire economies, mainly through financial education, capacity building, and stakeholder and market coordination.

Project Greenback starts in local communities that act as laboratories for analyzing issues related to remittances specific to the communities, devising and piloting solutions that can be scaled up to benefit both the supply and demand sides of remittance markets. The project continually promotes cooperation among local and national stakeholders to sustain meaningful change. While limited in scale, this bottom-up approach produces tools and lessons learned, which have a significant demonstration effect for similar communities and can be easily scaled up beyond the scope and length of the World Bank's involvement in each country.

The year 2021 marks the 10th anniversary of Project Greenback. Project Greenback started back in 2011, engaging two migrant communities at first, the Hondurans in Washington, DC, and the Moroccans in Turin, Italy. The project has been implemented in several countries since, both the sending and receiving sides, including France, United Kingdom, Malaysia, Indonesia, Haiti, and the Western Balkans. Three Western Balkan cities - Berat (Albania), Gradačac (Bosnia and Herzegovina), and Prizren (Kosovo) are part of Project Greenback within the framework of the Remittances and Payments Program funded by the Swiss Secretariat of Economic Affairs (SECO).

The World Bank team coordinates knowledge-sharing activities through the Remittance Champion Cities Network, replicating best practices and disseminating lessons learned globally. In this way, Greenback serves as a strategic instrument that brings together the local and global interventions of the World Bank on remittances and financial inclusion.

The World Bank team would like to thank the City of Berat and other local and national authorities in Albania for their contributions and commitment in addition to the migrants and their families for their time commitment and for sharing their experiences.



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Oya Ardiç is the Task Team Leader of the Remittances and Payments Program. In the Western Balkans, the project is coordinated by Nenad Bosiljčić. Edlira Dashi and Jelena Ivančević are the lead authors of this report. Gert Zenelaj provided design and layout assistance. The team would also like to thank Keler Gjika, Adnan Bahtic, Tarik Limo, and Viviana Premazzi for their contributions to the successful implementation of Project Greenback in Albania. Last but not least, the team would like to thank all its partners for their invaluable inputs and support throughout the project implementation and beyond.



ACRONYMS AND ABBREVIATIONS

AAB	Albanian Association of Banks
ANFE	Albanian Network of Financial Education
BoA	Bank of Albania
ECA	Europe and Central Asia
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
LMICs	Low- and middle-income countries
LNA	Learning Needs Assessment
MTO	Money Transfer Operator
NFES	National Financial Education Strategy
ODA	Official Development Aid
RPP	Remittances and Payments Program
RPW	Remittance Prices Worldwide
RSP	Remittance Service Provider
SDGs	Sustainable Development Goals
SECO	Swiss Secretariat of Economic Affairs
TTL	Task Team Leader
UN	United Nations
WB	World Bank



EXECUTIVE SUMMARY

Remittances are vitally important for Albania, one of the top remittances receiving countries in Europe and Central Asia. There are roughly 1.2 million Albanian migrants worldwide, equal to around 41 percent of Albania's current population.¹ The largest Albanian communities abroad are found in Greece, Italy, Germany, the UK, Switzerland, and the USA. The migrant distribution largely corresponds to the remittance inflows. According to the World Bank (WB) estimates, in 2020, inward remittances comprised 9.7 percent of Albania's GDP, with an inflow of \$1.47 billion. This major source of financing exceeded foreign direct investment and official development assistance and resisted the impact of the COVID-19 pandemic, reinforcing the role of remittances as a lifeline.

Despite their importance, remittance inflows to Albania come at a steep price. The cost of sending remittances to Albania in Q2 2021 was 8.01 percent of the amount sent (\$200), which is well above the global average cost (6.30 percent) and the regional (Eastern Europe and Central Asia) average (6.25 percent).² As a result, it is conjectured that more than one-third (37 percent) of remittance inflows are based on physical transportation of cash across the borders, according to a survey with remittance receivers conducted by the World Bank in 2016.³

From a behavioral standpoint, the high cost of remittances and the high reliance on informal channels reflect existing barriers to financial inclusion in the country. Albania has the lowest usage of banks or other financial institutions for remittance transfers in the region, mainly due to the (self-reported) complexity of the process (banks' procedures are perceived as complex and confusing) and the high costs of transfers.

Given this context, the World Bank has been providing technical assistance as part of the Remittances and Payments Program (RPP) and its component Project Greenback, supported by the Swiss Secretariat of Economic Affairs (SECO). RPP promotes cost-efficient access channels and instruments for disbursing international remittances. Project Greenback is a bottom-up approach developed by the World Bank to improve the market for international remittance services. It uses information from remittance beneficiaries and service providers to

¹ KNOMAD, World Bank (2017) (<https://www.knomad.org/data/migration/emigration>). Washington DC.: The World Bank Group. Last accessed on May 24, 2021.

² Remittance Prices Worldwide, World Bank (<https://remittanceprices.worldbank.org>). It includes corridors from Germany, Italy, Switzerland, and United Kingdom.

³ World Bank (2016) *Baseline survey on remittance beneficiaries' financial behaviors in Eastern Europe and Central Asia*, (<https://documents1.worldbank.org/curated/en/552541540823620142/pdf/131455-RPPbaselinesurveyFINAL.pdf>) Washington DC: The World Bank Group.



understand the bottlenecks and pilot/design solutions, such as financial education, awareness, capacity building, or product design, and propose enabling environment reforms when needed. One component of RPP was dedicated to Project Greenback.

Through the direct involvement of migrant workers and their families, local authorities, and remittance service providers, Project Greenback in Albania sought to address remittance recipients' specific payment and financial needs through financial education, awareness-raising, and market and stakeholder coordination.

Within the Greenback framework, a series of activities have been implemented in Albania, yielding the following results:

- (i) Analysis and encapsulation of financial behaviors and learning needs of remittance senders and receivers, informing further actions.
- (ii) Awareness-raising among financial sector actors and the public about the importance of remittances, financial inclusion, financial education, and their developmental potential, creating more focus on these topics and giving an impetus for a meaningful change.
- (iii) Increased capacities of financial service providers to better meet the needs of end clients, primarily remittance senders, and receivers.
- (iv) Capacity-building programs piloted and entrusted to the national stakeholders to further develop and streamline, scaling up the efforts.
- (v) Encouragement of market players and other stakeholders to create a more conducive environment for greater financial inclusion, primarily through coordinated financial education efforts.

Throughout the implementation of the project, some key insights emerged.

Regulated remittance services need to be made more attractive to end-users. Public authorities, financial institutions, and nonprofits need to diligently address these issues, especially among the poor, to increase their financial inclusion as a tool for alleviating poverty. Various financial education approaches must be developed and continually reassessed to meet the specific needs of different remittance senders and beneficiaries. To attract potential customers to use regulated remittance and other complementary financial services, these need to be devised and promoted through a customer-centered approach that offers solutions to real people's problems.

Applying a 'gender lens' to remittances is critical for developing and delivering suitable and effective remittance services in Albania. As women make up a major user group for remittances, such products and services must address some of the additional barriers women face to unlock greater remittance flows via regulated service providers. Furthermore, additional



guidance on how women can leverage remittances as a gateway to their broader financial inclusion, employment, and entrepreneurship is needed to make the most out of remittances.

Digital payments can increase the financial inclusion of remittance recipients. Digital remittances are faster, more convenient, and cheaper. Digital technology can also be successfully used to bridge existing financial and digital gaps and increase other client segments' financial inclusion. Financial service providers and other stakeholders, mainly mobile and broadband operators, should be incentivized to develop suits of financial products that tie in with remittance beneficiaries' specific needs, especially for the financially excluded and unbanked. The services need to be simple to use, intuitive and useful in people's daily lives. Special outreach programs must be developed for building skills and bringing awareness among potential end-users. The promotion of digital remittances should go hand in hand with the advancement of other digital payments in the country.

Coordinated efforts are needed to increase financial inclusion and boost the benefits of remittances for individuals and the economy. A wide array of stakeholder cooperation is needed to catalyze social finance initiatives to make remittances more effective for economic development. Financial institutions, the government, nonprofits, foundations, and others must partner to improve social and economic outcomes by driving remittances toward the desired impact. Project Greenback directly supports stakeholder coordination and brings to the table knowledge, best practices, and lessons learned globally from the World Bank's interventions on remittances and financial inclusion. The lessons learned from the research and activities of project Greenback directly contributed to the development of a National Financial Education Strategy for Albania.

Going forward, the sector can focus on making regulated services more attractive to the end-users both in terms of access and costs. To this end, it is important to recognize and differentiate between the specific needs of each target group, such as migrants, women, rural populations, etc. Realizing the potential of digital financial services, sector stakeholders should collaborate to create an inducive market backed by an enabling legal framework and suitable infrastructure that maximizes competition and market entry. The success of these efforts also requires greater client aptitude in accessing and using financial services effectively. The NFES serves as good guidance for designing impactful activities and tackling existing barriers on this front.



INTRODUCTION

Migrant remittances represent a substantial contribution to family incomes in origin countries and are essential financial inflows for many receiving economies. Albania is among the top ten receiving countries in relation to its gross domestic product (GDP).

The World Bank (WB), together with the local authorities, selected three Western Balkan cities - Berat (Albania), Gradačac (Bosnia and Herzegovina), and Prizren (Kosovo) to be part of the Project Greenback within the framework of the Remittances and Payments Program funded by the Swiss Secretariat of Economic Affairs. The project aims to increase the efficiency of international remittance markets and boost the benefits remittances yield for individual families and entire economies.

In 2017, the WB, in partnership with the Bank of Albania, started implementing activities in Berat to investigate the local market for international remittances. The project aimed to boost the effects of remittances by promoting change on the supply- and demand-side that can respond to the real needs of the ultimate remittance beneficiaries - Albanian migrant workers, their families, and their communities. The activities encompassed financial education, awareness-raising, stakeholder capacity building, and market engagement and coordination.

This report briefly introduces international remittance flows and their role in the global development agenda. The following chapters describe the work of the WB on financial inclusion and international remittances in Albania, with an emphasis on Project Greenback, and it outlines the local context for the implementation of the project. The final chapters focus on the activities implemented in Albania and derive lessons.

The purpose of this report is to inform a wider audience interested in remittances and financial inclusion about the general trends and specific activities the WB has been implementing in Albania. For more information, please visit <http://remittanceprices.worldbank.org/>.



Global remittance flows at a glance

Millions of people across the globe travel to other countries in search of better job prospects. Often, the earnings they make abroad serve both their personal needs and the needs of their families or friends back home. Individual transactions they send are relatively small in value averaging \$200; however, in aggregate, they amount to hundreds of billions of dollars sent globally each year. These cross-border, person-to-person money transfers are called international remittances.

Remittances are a lifeline for millions of poor and vulnerable families worldwide. Many families depend on remittances for their basic needs and receive them regularly, and they make up 50 percent or more of their family's monthly income. Some receive money from abroad only on special occasions or in case of emergency, while others receive remittances to make major purchases or invest in economic activities.

Apart from supporting individual household incomes and small businesses, these funds have a measurable impact on entire economies by reducing trade and current account deficits, increasing foreign currency reserves, alleviating poverty, and sustaining growth through direct and indirect multiplier effects. For the top ten remittance-receiving countries, remittances account for anywhere between a fifth and a third of their GDP⁴.

In 2021, global remittance flows to LMICs amounted to a staggering \$589 billion⁵. They were higher than foreign direct investment (FDI) and overseas development aid (ODA) in all but one receiving country (China). Not only are remittances larger in volume, but they also have a more immediate impact than these other sources of external financing because they go directly into the hands of individual households.

In times of crisis, remittances proved to be more resilient to economic shocks than other forms of external financing. At the start of the COVID19 pandemic, global remittance flows decreased significantly, so the WB estimated a sharp decline of 20 percent in 2020. Later in the year, due primarily to the positive effects of the fiscal measures for stabilizing economies and securing jobs in most remittance sending countries and migrants switching to digital channels to send remittances, the projected fall was changed to a much less pessimistic one. Ultimately,

⁴ Dilip Ratha, Eung Ju Kim, Sonia Plaza, Ganesh Seshan, Elliott J Riordan, and Vandana Chandra. 2021. Migration and Development Brief 35: Recovery: COVID-19 Crisis through a Migration Lens." KNOMAD-World Bank, Washington, DC. License: Creative Commons Attribution CC BY 3.0 IGO

⁵ Ibid.



remittance flows to LMICs declined by only 1.6 percent in 2020 compared to the year before. By comparison, FDI to LMICs was reduced by over 30 percent during the same period.⁶ In 2021, remittances to LMICs grew by 7.3 percent, proving their reliability as a critical funding flow.

However, sending remittances comes at a cost that can be rather steep, depending on the type of service used to move money across borders. According to the WB, banks are the most expensive service provider, with a global average cost of 10.64 percent of the amount sent.⁷ That is \$21.28 in fees to be paid for sending \$200. To avoid paying high fees, migrants often send remittances in cash through unregulated channels - via bus drivers, friends, or acquaintances. Hand-carried transfers run the risk of money being lost, stolen, or confiscated at borders. They are also the least convenient because other persons determine the time and place of dispatch and delivery.

New technologies enable remittance services that are safe, cheap, and the most convenient. In Q2 2021, mobile money was the least expensive instrument for senders to fund transactions and for recipients as means to disburse.⁸ The acceleration of digitalization, observed in many aspects of life during the COVID-19 pandemic, happened in the remittance industry as well. The increased use of digital services for sending remittances counteracted the reduced flows of hand-carried remittances halted by lockdowns and travel bans. Migrants with access to bank accounts and payment cards were best positioned to weather the storm and continue sending remittances via digital channels. Remittance-receiving families who were equipped to use digital financial services were able to receive money from abroad without any disruptions, unlike those who had to rely on cash pay-outs. Digital services were particularly convenient, if not vital, during lockdowns.⁹

More importantly, digital remittance transfers helped senders and receivers avoid the health risks of handling cash and unnecessary physical contact with other people at banks or money transfer operator (MTO) offices. At the same time, digital remittances were cheaper than cash-handling remittance services.¹⁰

Nevertheless, many migrant workers and even more remittance receivers around the globe lack access to digital remittance services, mainly due to poverty, lack of financial and digital literacy, and financial exclusion, which are all issues at the core of the global development agenda.

⁶ Ibid.

⁷ World Bank (2021). Remittance Prices Worldwide Quarterly, Issue 39, September 2021, Washington, DC: The World Bank.

⁸ Ibid.

⁹ World Bank (2021). The Impact of COVID-19 on the Market for International Remittances in the Short and Medium Term. April 2021, Washington, DC: The World Bank.

¹⁰ Ibid.



The role of remittances in the global development agenda

In the early 2000s, the WB helped bring the significance of remittances to the attention of policymakers and has been at the forefront of the global remittance agenda ever since. The WB collaborated with standard-setting bodies to develop guiding principles that aim to improve the efficiency of the market for international remittances and contributed toward improved data collection on remittance flows and prices.¹¹

Remittance Prices Worldwide (RPW) is a database by the WB set up in 2008 to monitor remittance prices. The number of remittance services monitored has been growing over the years and is currently at 367 corridors between 48 sending and 105 receiving countries.¹² The prices are examined quarterly by mystery shopping from remittance service providers (RSPs) across all geographic regions. Alongside RPW, several countries set up their national price-monitoring databases that comply with the standards of the WB. The purpose of these databases is to track the progress toward the global objectives of reducing the cost of remittances, stimulate market competition and transparency, and help migrants and their families make informed choices about transfer channels.

By reducing remittance costs, dozens of billions of dollars can be saved annually and geared toward achieving a substantial impact on growth and poverty alleviation in developing countries. WB was instrumental in setting the first global target "to reduce the cost of remittance services by five percentage points in five years (the 5x5 objective)", endorsed by the G8 in 2009 and G20 in 2011.

Later, the UN Sustainable Development Goals (SDG) set out an even more ambitious target - by 2030, the global average cost of remittances to be reduced to less than 3 percent and the average cost at corridor level to 5 percent. Furthermore, SDGs aim to increase the volume of remittances as a percentage of GDP as a source of funding to support development processes and reduce inequalities within and among countries.

Since the adoption of the cost reduction objectives, the cost of sending remittances has dropped. In Q3 2009, the global average¹³ cost of sending \$200 was 9.3 percent, while in Q3 2021, it was recorded at 6.3 percent. The global average for digital remittances was last

¹¹ CPMI and the World Bank (2007). General Principles for International Remittance Services

¹² World Bank. (2021) Remittance Prices Worldwide. <https://remittanceprices.worldbank.org/en>

¹³ The Global Average is the simple average of the costs of all individual channels monitored through RPW. The Global Weighted Average, which factors in the volume of remittances sent through each corridor, was last recorded at 4.71 percent, making Q2 2021 the third consecutive quarter recorded below 5.00 percent.



recorded at 4.99 percent, while the global average for non-digital remittances was 6.77 percent. Therefore, digital services have almost achieved the 5x5 objective, but they only account for 27 percent of all services RPW collected in Q3 2021.¹⁴

While the SDG target of remittance costs under 3 percent is still far ahead, the number of individual corridors with fees under 5 percent has more than doubled since Q1 2019 (from 17 to 36 percent).¹⁵

Next to cost, there is also the issue of inadequate access to and use of financial services among remittance senders and receivers. Financial inclusion is an essential tool for coping with and escaping poverty, which is why the UN SDGs perceive it as a critical factor in improving the condition of the most vulnerable portions of society. The unbanked have no transaction accounts, no access to insurance or loans, and no protection for their money from theft or loss. Having no access to financial services leaves people with limited safeguards if they lose their job or fall ill. It also puts them at risk of predatory lenders.

Remittances can be leveraged to increase the financial inclusion of senders and receivers and boost their economic impact on local and country development. Directing more remittances through regulated channels would strengthen the receiving countries' economic infrastructure and create additional revenue streams for the financial sector.

In this context, the WB has been implementing Project Greenback in select local communities in several countries, including Albania. The project provides financial education and awareness-raising to migrants, receiving families, market players, and public authorities, aiming to promote financial inclusion and produce efficiency gains in remittance flows and use that can help achieve broader development goals.

The local communities act as labs where community-specific needs and issues related to remittances are analyzed. Through the cooperation of local and national stakeholders, the project looks for ways to address these needs and devise solutions that can benefit both the supply and demand sides while demonstrating how remittances can be leveraged to increase financial inclusion and promote development.

¹⁴ World Bank. (2021) *Remittance Prices Worldwide Quarterly*. Issue 39, September 2021

¹⁵ Ibid.



The World Bank's work on financial inclusion and remittances in Albania

The WB focuses on the diversification of the financial sector in Albania to allow for greater financial inclusion. In this context, the WB has implemented the RPP funded by SECO.

The RPP aims to increase access to and usage of transaction accounts and electronic payment instruments by improving the efficiency of domestic retail payments, with a specific focus on international remittances. Ultimately, this program seeks to create the conditions for the provision of cheaper and more easily accessible payment services for Albanian migrant workers and their families and the general population. Payment services – under certain circumstances – can facilitate access to other financial services, thus advancing financial inclusion. To this end, remittances are used as a vector for extending basic financial services to people that were formerly "unbanked."

In Albania, Project Greenback was implemented as part of RPP with an aim to increase efficiency in the market for remittances through an innovative approach: promote change inspired by the real needs of the ultimate beneficiaries of international money transfers – i.e., the migrants and their families. The project directly engaged with migrants and remittance beneficiaries, RSPs, and public authorities to address remittance recipients' community-specific payment and financial needs.

In partnership with the Bank of Albania (BoA), the WB focused on educating the end clients about the available remittance services offered by regulated financial service providers to their advantage and creating a conducive environment for their use. The project combines financial education, awareness-raising, stakeholder capacity building, and market engagement and coordination.

GREENBACK ACTIVITIES IN BERAT, ALBANIA

In partnership with the BoA, the WB implemented a series of Greenback activities in Albania that resulted in the following:



- (i) analyzed and encapsulated financial behaviors and learning needs of remittance senders and receivers, informing further actions;
- (ii) raised awareness among financial sector actors and the general public about the importance of remittances, financial inclusion, and financial education and their developmental potential, creating more focus on the topics and giving an impetus for meaningful change;
- (iii) increased capacities of financial service providers to better meet the needs of end clients, primarily remittance senders and receivers;
- (iv) capacity-building programs piloted and entrusted to the national stakeholders to further develop and streamline, scaling up the efforts;
- (v) galvanized market players and other stakeholders to create a more conducive environment for greater financial inclusion, primarily through coordinated financial education efforts.

To this end, the Greenback activities expanded on a few fronts simultaneously - direct client engagement, capacity building of stakeholders, and market engagement and coordination.

MARKET AND NEEDS ASSESSMENT

The World Bank carried out a series of market research activities that helped identify gaps and opportunities for involvement via Project Greenback. Some of the key findings are included below.

Albanian Migration and Remittance Flows

There are roughly 1.2 million Albanian migrants worldwide, equal to around 40 percent of Albania's current population.¹⁶ The largest Albanian communities abroad are found in Greece, Italy, Germany, the UK, Switzerland, and the USA, largely corresponding to Albania's remittance inflows.

Since the 1990s, Albanians have migrated for a myriad of reasons ranging from unemployment and poverty to better opportunities abroad, thanks to globalization trends. Continuous migration exacerbates the domestic skills shortage, but a large diaspora also creates opportunities for

¹⁶ <https://www.knomad.org/data/migration/emigration>, accessed on May 24, 2021



further integration of Albania into the global economy. Moreover, the remittances Albanian migrants send are an essential source of funding for the Albanian economy. However, the effectiveness of these funds could be increased by directing them towards productive investment rather than consumption.¹⁷

According to WB estimates, in 2020, inward remittances comprised 9.7 percent of Albania's GDP, with an inflow of \$1.47 billion. This share of GDP puts Albania in the top ten remittance-receiving countries in the Europe and Central Asia region and third in the Western Balkans. Only Montenegro and Kosovo have higher shares of remittances in GDP of 12.5 and 18.4 percent, respectively.¹⁸

Despite the crisis caused by the COVID-19 pandemic, Albanian inward remittances in 2020 remained almost on par with the annual inflow in 2019, declining by only 1.5 percent. After a significant year-on-year decline of roughly 35 percent in the second quarter of 2020, remittances kept increasing during the last two quarters, well beyond the quarterly rates experienced the year before.¹⁹

The quick recovery in remittance inflows can be partly explained by the nature of these flows as countercyclical and stable. However, it is important to note that remittances were deemed essential service from the outset of the pandemic in Albania, enabling continuous service even during the most severe lockdowns. In addition, there was a noticeable increase in the use of formal channels due to the lack of access to informal channels (such as the physical transfer of money through buses, friends, or relatives).

Baseline Survey and Focus Groups on Remittance Beneficiaries' Financial Behaviors

In 2016, the WB conducted a baseline survey²⁰ to capture the financial behaviors of remittance beneficiaries in six countries of the ECA region: Serbia, Albania, Kosovo, Tajikistan, Kyrgyz Republic, and Bosnia and Herzegovina. In December 2017 and May 2018, a series of focus groups were organized with remittance senders and receivers from Albania to analyze further

¹⁷ World Bank (2019) *Albania, A Systematic Country Diagnostic*. Washington, D. C.: World Bank Group.

¹⁸ KNOMAD (2021) *Inward Remittance Flows* (<https://www.knomad.org/sites/default/files/2021-05/Inward%20remittance%20flows%20May.%202021.xlsx>) Washington DC.: The World Bank Group.

¹⁹ Based on the data available in the The Bank of Albania's quarterly Balance of Payments, (https://www.bankofalbania.org/Statistics/Time_series/?evb=agregate&evn=agregate_detaje&cregtab_id=705&periudha_id=3)

²⁰ World Bank (2016) *Baseline survey on remittance beneficiaries' financial behaviours in Eastern Europe and Central Asia*, (<https://documents1.worldbank.org/curated/en/552541540823620142/pdf/131455-RPPbaselinesurveyFINAL.pdf>) Washington DC.: The World Bank Group.



their financial practices and attitudes toward financial services and financial education.

According to the survey, in Albania, the majority (57 percent) of remittance flows are estimated to reach the country via MTOs. In comparison, 37 percent of the transfers are based on the physical transportation of cash across the borders. The remaining flows are mainly channeled through banks (four percent) and the Postal Office (one percent). Irrespective of the channel, remittances are almost exclusively paid in cash.

Western Union and MoneyGram, the two biggest international MTOs, dominate Albania's provision of remittances services (including via banks acting as agents of MTOs). Other international MTOs have recently started operations in the country in partnership with banks and other NBFIs. They have been rapidly expanding their presence in Albania, including by leveraging innovative payment instruments.

Remittances represent one-third of the yearly household budget in Albania. More than 30 percent of interviewed households received remittances regularly, while 40 percent got financial support from their relatives abroad on special occasions. The average amount received in a year is the equivalent of \$2,350, or \$499 per transaction, which is the second-highest amount in the region after Kosovo. Most remittance flows originate from Greece and Italy (more than 60 percent combined).

Eighty-six percent of the Albanian households who receive remittances claim to have received money from one person, and 32 percent for more than ten years. Most of the population of remittance senders is male (71 percent) and on a permanent departure (60 percent), whereas half (52 percent) is aged 30 to 44 years.

Remittances are mainly used for purchases of fast-moving consumer goods (FMCG) and health & hygiene (HH) products (indicated by 67 percent of interviewed households), health expenses (52 percent), and education purposes (32 percent).

Learning Needs Assessment of Migrants and their Families

To gain a deeper understanding of the financial needs of remittance senders and recipients and barriers to their financial inclusion, the WB first organized ten focus groups with over 100 participants in December 2017 and May 2018.

The team analyzed their perceptions and habits regarding international remittances and other financial services. More specifically, they discussed the reasoning behind the preferred remittance transfer channels, the different uses of remittances, and attitudes towards financial



services and education. The research also surveyed their financial literacy and inclusion levels.

The focus groups validated the findings from the baseline survey and provided some context behind the numbers.

Remittance senders choose the channel for sending money back home, and they tend to prefer informal channels often due to their legal status in the country of destination or their fear of being taxed on the income. However, informal channel use is declining due to a lack of trust, a need for privacy on financial matters, and an increase in trust in the financial sector.

Secondly, remittance recipients continue to rely on remittances and expect to receive them going forward. At the same time, they are increasingly seeking alternative income sources through employment or small business. However, to succeed, they need to access and leverage suitable financial products to help them in these initiatives. Furthermore, remittance recipients are in constant need of training on broader development aspects, such as coaching for employment, vocational training, and microenterprise incubators.

Finally, the profile of the Albanian migrant is changing. After the first and second migration waves of unskilled workers seeking a better life abroad, a new category of young, trained, and specialized migrants is emerging. These migrants could provide more added value, stable income, and financing sources to fuel development back home. To this end, specific training programs need to take place for current and future migrants.

Cost of Sending Remittances to Albania

Despite their importance to individual households and the national economy, the cost of sending remittances to Albania still exceeds regional and global averages as well as international targets. In Q3 2021, the cost of sending \$200 was 8.01 percent, which is significantly more than the global average cost of 6.3 percent and well above the regional (Eastern Europe and Central Asia) average of 6.15 percent (6.55 percent excluding Russia).

The United Kingdom and Switzerland are the two most expensive Albanian-bound corridors, exceeding 10 percent in fees for sending \$200. The Albania-bound transfers are more expensive than in other remittance corridors originating from these countries, and the price gap has widened in the past year. Service providers operating in the Switzerland and United Kingdom corridors reduced prices significantly in Q2, 2020, by more than 2.7 percentage points, but the drop did not persist in the subsequent quarters. The cost of sending remittances to Albania from Germany and Italy declined slightly throughout the past year, coming closer to



average sending costs in these countries.²¹

To address the challenges of the pandemic outbreak, remittance service providers provided increased customer support to promote the usage of digital financial services, but only MTOs provided price incentives for remittances.

Even though there has been a noticeable shift towards digital remittance services at the global level, this has not been the case in Albania. The pandemic outbreak seems to have overturned the steady decline in costs for digital services in 2018 and 2019. Digital services cost one percentage point more than cash services in the third quarter of 2021.

On the sending side, the cost of transfers via bank accounts and debit/credit cards has declined significantly compared to cash. However, on the receiving side, cash pick-up has become cheaper than bank account pick-up.

Financial Inclusion in Albania

According to the 2017 Global Findex, Albania marks the lowest level of access to financial services in Southeast Europe and the highest social disparities among various categories. Compared to other LMICs in Europe & Central Asia, Albanians are considerably unbanked or underbanked.

Only 40 percent of the adult population in Albania owns a transaction account, compared to 65 percent in ECA. Albania also has the highest rate of account inactivity, with 18 percent of account owners not using their accounts at all in the past year.

Most unbanked Albanians consider themselves too poor to use financial services. They typically cite lack of money or high upkeep fees as barriers to account ownership. Some access points are too distant, while others lack the necessary documentation to open an account.

Urban, educated, and better-off individuals are more likely to be financially included. Only 31 percent of those living in rural areas own an account, compared to 52 percent of the urban population. Similarly, account ownership is significantly lower among the adult population with primary education or less (27 percent) compared to those with secondary education or higher (56 percent). In addition, 23 percent of the poorest 40 percent of the population own accounts compared to 52 percent of the wealthiest 60 percent. There is a gender gap of 4 percentage points in account ownership in Albania, one of the lowest in the region.

²¹ World Bank. (2021) *Remittance Prices Worldwide Quarterly*. Issue 39, September 2021



Berat, The Greenback Remittance Champion City of Albania

In Albania, initial market research and pilot activities were carried out in Berat, located 70km from the capital, Tirana, in south-central Albania. It was selected as a Greenback Champion City because it presents a conducive environment for implementing the project.

According to BoA, Berat is the city with the second-highest ratio of remittances received to population, after Dibër. Apart from having a heavy remittance inflow, the BoA identified the city as a community with good potential to move away from cash-based and towards electronic payment instruments.

Berat has a total area of about 380 km² and a population of 36,496 people (2011 Census). The average monthly inflow of remittances is 6.741.968 lek per month (approx. \$800,000 annually.) According to the Municipality of Berat, most of the international remittances come from Greece, Italy, and the USA.

The city's main economic activities include agriculture and agribusinesses (primarily fruits and vegetables), handcraft production, and tourism-related businesses.

According to the WB, in Berat, about 32 percent of adults have access to a bank account, and about 24 percent own a debit card. The equivalent number at the national level is 38.5 percent for bank accounts and about 25 percent for debit cards. Most of the sixteen commercial banks have offices in Berat, as do nine other non-bank financial institutions, including EasyPay, three credit and savings associations, and the Albanian Post. The BoA has a Training and Research Center in Berat, while its nearest branch is in the nearby city of Lushnjë (39 km from Berat).

Based on the lessons learned from the market research phase, the Greenback team focused on the financial education of young people and migrants. To this end, the World Bank partnered with specialized organizations to maximize outreach to the target groups.

Runmittance Treasure Hunt

On June 16, 2019, International Day of Family Remittances, the Greenback team convened a public event in Berat, the "Greenback Runmittance Treasure Hunt," to recognize the importance of remittances for the Albanian economy and to raise awareness among the general public about efficient and inclusive financial services as a key enabler of sustainable development.



Despite the hot summer, around 200 high school students and teachers participated in this fun and engaging activity, bringing individuals closer to financial services institutions. The event was



jointly organized by the WB team, BoA, and Junior Achievement of Albania, with the help of local authorities and the Ministry of Education.



The hunt followed a predetermined trail with multiple pitstops where participants solved riddles about remittances and financial services before moving on to the next, receiving financial education crash courses on specific services.

The following year the Treasure Hunt was reprised. However, due to the COVID-19 pandemic, the Treasure Hunt for Remittances was organized online, with over 150 high school students playing an e-quiz game on remittances.

The Greenback Versus Chronicles – A debate series

Throughout June 2020, the Greenback team organized a series of online debates in the British Parliamentary style and townhall format to mark the International Day of Family Remittances. It featured Albanian university students who debated on the topics "Will COVID-19 spark a digital revolution in financial services?", "Remittances as a gateway to financial inclusion," and "Regulators and digital finance – push or pull?". Financial sector representatives guided the

discussions with expert inputs and declared the winners of the debates.



REMITTANCES KEEP THEM FLOWING

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A project by:
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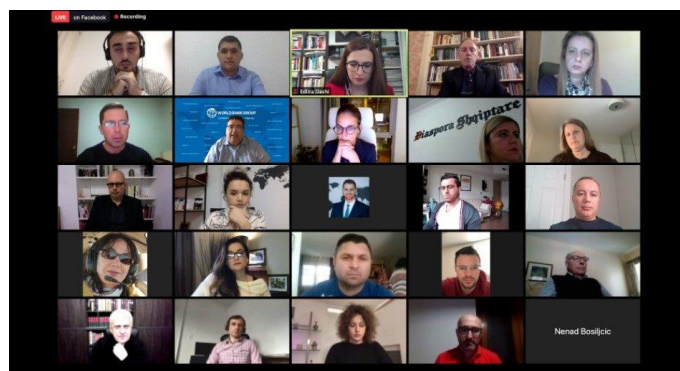


Partners:



Remittances – a Footprint for Development

The WB organized a series of online events with members of the Albanian Diaspora worldwide and financial sector experts in Albania to discuss challenges and opportunities related to remittances as an important catalyst of economic development. These virtual meetings were convened in collaboration with GERMIN, an NGO that promotes the active involvement of the Albanian diaspora in the development of the countries in the Balkans where Albanians live.



Commemorating the International Day of Migrants on December 18, 2020, the first virtual meeting of the series "Remittances – a Footprint for Development" brought together members of the Albanian Diaspora in the USA and key remittance stakeholders in Albania. Over the first six months of 2021, the following virtual meetings brought into the discussion the Albanian diaspora from Germany, Greece, Italy, and Switzerland.



These activities proved instrumental for addressing information gaps in the diaspora and building knowledge exchange bridges between migrants and relevant stakeholders in Albania, such as financial service providers, regulators, industry experts, etc.

MARKET FACILITATION AND SECTOR SUPPORT

Recognizing the wide array of needs for promoting an efficient market for remittances, the Greenback team focused significantly on coalition building around the remittances agenda and providing support to the relevant stakeholders on how to further this agenda beyond the length and scope of the project. To this end, a series of activities were organized throughout the project.

The Greenback Academy

On December 18, 2019, marking the International Day of Migrants, the WB, in cooperation with the BoA and AAB, jointly launched the Greenback Academy in Berat to support financial service providers better meet the needs of end clients, primarily remittance senders, and receivers. This initiative marked the beginning of the capacity-building component of Project Greenback.

The Academy consists of a series of training programs for staff members of financial service providers and other organizations that could benefit from incorporating financial education in their service offerings. The topics revolve around applying a behavioral approach to financial services delivery, product development for the financially excluded, embedding financial education in marketing and communication efforts, and the like. The WB pilots these training programs, and then national stakeholders are expected to continue implementing, developing, and streamlining these programs.

The first workshop, "Applying A Behavioral Approach to Financial Services Delivery," sought to build the capacities of the financial service providers (banks, microfinance institutions, money transfer operations, e-money operators, etc.) to leverage a better understanding of human behavior to design and promote more effective products and services for target clients. Driven by the belief that to serve clients best, you must be able to think like them, the workshop brought together client-facing staff members from all financial institutions in Berat. Aiming to reaffirm the topic as part of the regular AAB training offer, the module was once again implemented on November 18, 2020, this time as a webinar.



The Albanian Association of Banks will organize additional training as part of the Academy on topics of interest for the sector.

Awareness raising and promotional events

Building public awareness about the significance of remittances for the economy, the challenges and opportunities for increasing access to regulated financial services, and the role of financial education in poverty alleviation and development is critical for triggering meaningful change. To this end, the WB organized several public and sector events and published a series of blogs and articles through various outlets - the WB website, The Banker magazine of the Albanian Association of Banks (AAB), and The National Agency of the Diaspora publications.

Furthermore, the Greenback team actively participated in and promoted the Greenback agenda and the shared objectives on remittances at various other events, from the National Payments Systems Committee to the Albanian Network of Financial Education (ANFE). This presence has helped make financial education a familiar notion within the sector, enabling more focus and drawing greater interest.

The Greenback Kick-Off Event

To commemorate the International Day of Migrants, on December 18, 2018, local and national stakeholders and financial services providers joined migrants and their families in a kick-off event for Greenback activities in Berat.

The main objective on this symbolic day was to recognize the significant impact that migrants



have on the Albanian economy and identify opportunities to leverage their contribution for sustainable development through an effective, inclusive, and enabling financial services landscape.

More than 50 people attended the event and participated in a lively discussion about how financial inclusion enables local and national development, using remittances for long-term stability, and how remittances can trigger employment or self-employment.

The event was also an excellent opportunity for all stakeholders to meet and share their perspectives on Albania's financial education needs and opportunities, which set up the basis for creating the Greenback Advisory Group.

Second Albanian Diaspora Summit



On March 1, 2019, the WB team attended the Second Albanian Diaspora Summit at ExpoCity (Tirana) to extend the project's outreach to the migrant communities abroad. A WB study on remittances as a catalyst for economic development was presented in the official Summit Report. Furthermore, the WB team was present at a stand, disseminating a series of publications and videos among the members of the Albanian Diaspora.

The Greenback Advisory Group

In addition to the direct engagements with remittance senders and recipients, Project Greenback focuses on raising the profile of financial education with a wide variety of stakeholders in Albania that can scale up financial education efforts to support broader development goals.



The Greenback Advisory Group was established to serve as a platform for partnership building and coordination among sector actors for existing and new initiatives offering financial education and promoting increased financial inclusion in Albania.

The first meeting of the Greenback Advisory Group took place in Tirana on February 28, 2019. The group comprises selected representatives from the financial sector, government, donor community, and civil society who can directly or indirectly contribute to the implementation and upscaling of the Greenback financial education activities.



Currently, the Greenback Advisory Group consists of 20 members representing 15 institutions. Selected members are experts on migration and financial services, but also employment, entrepreneurship, and broader socio-economic development, who bring a perspective of the spillover effects that financial education can have on these areas. The role of this working group is to provide insights and suggestions for the project activities, increase the visibility of the project, and find ways to scale up our efforts in broader types of intervention.

SCALING UP

The activities implemented during Project Greenback attracted significant attention from the media, stakeholders, and remittance end-beneficiaries, creating momentum for furthering the remittances agenda in the country.

To this end, the World Bank project team built strong partnerships with various institutions and



organizations in the country, which will carry on implementing some of the key activities piloted via Project Greenback. For instance, the Albanian Association of Banks will carry forward the Greenback Academy, and the Diaspora Newspaper will provide a regular section on remittances. The National Agency of the Diaspora will engage some of its experts to regularly monitor the cost of remittances, providing recommendations on what can be done to improve the current usage and uptake of such services. Junior Achievement of Albania will carry forward the Runmittance Treasure Hunt and the Versus Chronicles debate series, given the participants' high attendance and positive feedback.

LESSONS LEARNED AND THE WAY FORWARD

With Project Greenback completed, making the remittances market more efficient must continue through the efforts of Albania's stakeholders. To this end, some key insights from the Greenback experience can provide a useful pathway to carry this work forward.

1. Regulated remittance services need to be made more attractive to end-users

International remittances are costly, and transfer options are limited for many families in Albania. Although the volume of inward remittances is substantial, and the financial infrastructures already allow for efficient money transfers, significant financial and digital gaps prevent many from using affordable and accessible services.

Choosing a remittance transfer channel depends on various circumstances on both the sending and receiving ends. Initially, new migrants rely on the practices they see in their migrant communities when choosing how to send money back home. Over time, they learn about other options and then choose by balancing accessibility/ simplicity/ convenience/ speed/ price point. However, many prejudices and misconceptions skew the decision-making process as senders often rely on word-of-mouth information and unreliable sources.

For some migrants from Albania, unregulated cash transfers are the only viable option for sending remittances. Access is a significant issue for migrants who engage in undocumented work. Others have access to regulated financial services but still choose to send cash due to a lack of awareness about the risks associated with unregulated transfers or the advantages of regulated services or skills to use them.

Many migrants switch between regulated and unregulated channels for sending remittances. If returning home frequently or abroad for a short time, migrants will carry the money themselves



or send it via family members to avoid transfer fees. If they need to send some cash quickly, they predominantly use MTO services. With migrants who regularly send remittances as the family's breadwinners, the distance between the countries is a major deciding factor. In communities well connected by regular bus lines to their hometowns, migrants often rely on one another to carry remittances free of charge or bus drivers for a fee. MTOs and bank transfers are the go-to options for migrants living in more distant parts of the world.

On the receiving side, most remittance beneficiaries collect remittances in cash. Albania is predominantly a cash-based society, especially its older population and rural areas. Among those with access to financial services, even owners of current bank accounts, many fail to see the possible benefits of receiving remittances through a bank account. Remitting to a bank account is perceived as complicated, slow, and costly.

Many remittance recipients find financial services in general quite abstract, and many consider themselves too poor to use them. Financial literacy levels are low. Recipients are also largely unfamiliar with digital payments. They lack the needed skills and information, turning them fearful and suspicious of the technology. With families heavily reliant on cash, remittance senders tend to turn to (a) unregulated channels to avoid service fees or (b) costly MTO transfers with cash pay-outs.

Public authorities, financial institutions, and nonprofits need to diligently address these issues, especially among the poor, to increase their financial inclusion as a tool for alleviating poverty. Various financial education approaches must be developed and continually reassessed to meet the specific needs of different remittance senders and beneficiaries. To attract potential customers to use regulated remittance and other complementary financial services, these need to be devised and promoted through a customer-centered approach that offers solutions to real people's problems.

2. Applying a 'gender lens' to remittances is a key factor of success

The gender roles in sending, receiving, and utilizing remittances are often overlooked, given the general focus on the household. However, the World Bank experience with Project Greenback in Albania revealed some apparent differences between men and women regarding behaviors and attitudes related to remittances. Accounting for these differences is important for public authorities and the remittances industry to maximize the development impact of



remittances in the region as a vital source of income and a gateway to broader financial inclusion.

Most migrants from Albania are men, deemed the breadwinner of the household. Therefore, men represent the bulk of remittance senders. However, there has been a noticeable shift in the migration dynamics. The gender-equalizing trend is most notable in some corridors, such as Greece – Albania or Italy – Albania, where women represented only 20 percent of the migrant stock in the early and mid-90s, but their share doubled in the early 2000s. This increase in migrant stock has also affected the remittance volumes sent to Albania.

When it comes to how remittances are spent, men make the big decisions, while women execute day-to-day transactions in the household. Financial decisions for significant expenses are generally taken jointly between the man and the woman in the household. The roles are more explicitly separated when women are almost entirely dependent on remittances to cover living expenses from remittances, which they receive from their husbands abroad. In such cases, the decisions on big-ticket expenditures were most often made by the sole provider of income— i.e., the husband—who would " earmark" funding for specific purposes. At the same time, the wife would execute transactions and manage daily expenditures.

Fewer women are financially included than men, but they are not less financially savvy. Due to the broader gender dynamics, women are typically not involved in making choices about the amounts of remittances and how they are sent or received. Furthermore, fewer women have access to accounts, so most of their transactions are likely to happen in cash. However, lack of financial capability is not necessarily a challenge, and women often manage to successfully keep a detailed account of their spending or address the family's daily financial needs.

Applying a "gender lens" is critical for developing and delivering suitable and effective remittance services in Albania. As women make up a major user group for remittances, such products and services must address some of the additional barriers women face to unlock greater remittance flows via regulated service providers. Furthermore, additional guidance on how women can leverage remittances as a gateway to their broader financial inclusion, employment, and entrepreneurship as applicable is needed to make the most out of remittances.

3. Digital payments can increase the financial inclusion of remittance recipients

Digital remittances are faster, more convenient, and cheaper. Tech-savvy senders and



receivers know this very well and already reap the benefits, but most remittance beneficiaries do not. Digital financial services, in general, are perceived by many as primarily designed for the upper echelons of the banking clientele, which is not far off when looking at marketing strategies for these products. However, digital technology can also be successfully used to bridge existing financial and digital gaps and increase other client segments' financial inclusion. This is especially true for technologies based on mobile phones as they already have a high penetration among all demographics in Albania. Strategies for digitizing payments should have specific measures aimed at remittance recipients to increase their financial inclusion and steer them toward digital remittances.

Financial service providers and other stakeholders, mainly mobile and broadband operators, should be incentivized to develop suits of financial products that tie in with remittance beneficiaries' specific needs, especially for the financially excluded and unbanked. The services need to be simple to use, intuitive and useful in people's daily lives. Special outreach programs must be developed for building skills and bringing awareness among potential end-users. The promotion of digital remittances should go hand in hand with the advancement of other digital payments in the country.

4. Coordinated efforts are needed to increase financial inclusion and boost the benefits of remittances for individuals and the economy

Financial inclusion is increasingly viewed as an enabler of sustainable development and its importance as extending beyond the financial sector. Creating explicit linkages with other areas is extremely important, especially entrepreneurship, poverty reduction, and women's economic empowerment. In Albania, we established the Greenback Advisory Group comprising representatives of the private sector, government agencies, donors, and civil society to mainstream financial inclusion and maximize impact through synergies with programs in other areas. A Regional Greenback Advisory Group is in the pipeline for the following stages of project implementation in the Western Balkans.

A wide array of stakeholder cooperation is needed to catalyze social finance initiatives to make remittances more effective for economic development. Financial institutions, the government, nonprofits, foundations, and others must partner to improve social and economic outcomes by driving remittances toward the desired impact. Project Greenback directly supports stakeholder coordination and brings to the table knowledge, best practices, and lessons learned globally



from the World Bank's interventions on remittances and financial inclusion.

The bottom-up approach of working in local communities and directly with migrants and remittance beneficiaries ensures that their needs are well captured. Promoting this work and directly engaging with local and national stakeholders to turn these recommendations into action is critical for the project. The effectiveness of the educational tools and strategies developed within this project's scope, for both end-users and RSPs, relies on the continued commitment of relevant stakeholders to scale up this work and reach out to the target audiences on an ongoing basis.



REMITTANCES – A GATEWAY TO SUSTAINABLE DEVELOPMENT



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