

The role of remittances in the Albanian economy

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Abstract. *The potential of remittances to contribute to the economic development of a country depends on a number of factors, such as demographic characteristics of households, transfer methods and the use of financial institutions. Remittances could contribute, besides the consumption growth, also directly into productive investment, increasing the liquidity of banks, making it possible to grant loans to entrepreneurs with competing interests, creating an enabling environment for starting and expanding SMEs, facilitating attraction of emigrants to return to their countries. Economic and political systems in Albania have gone through rapid development since the collapse of the communist regime. However, the geographical coverage of the financial institutions is still weak in some parts of the country, especially in the rural areas. The personal transport accounts about 60% of all remittances. The proximity of the two host countries, Greece and Italy, allows the majority of legal emigrants to visit their country once or twice a year, which gives the opportunity to carry money in cash. The World Bank characterizes the political and the financial environments in Albania as non-propulsive for entrepreneurs. Regardless of the size of remittances and their importance for the economy of Albania, there is a general lack of policies and strategies for management and use of remittances. Some of the factors that adversely affect the business environment can be addressed at national level, such as unstable supply of electricity and quality of infrastructure, or issues related to tax collection. For a better development of the Albanian emigration control, the National Strategy for Migration covers: protection of the rights of the emigrants abroad, building and joining the communities abroad, the orientation of remittances towards the investments, organizing an appropriate policy on migration for employment, the facilitating travel for the Albanian citizens and finally, the development of an appropriate legal and institutional framework.*

Keywords: *Albanian emigration; remittances; the national strategy; economic development.*

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Introduction

Remittances constitute a great potential for creating economic growth. Given the size of Diaspora and the fact that 55% of emigrants send money to their families in Albania, remittances are a major radix of the foreign currency and an important stimulus for the national economy. The remittances constituted 13.5% of the GDP in 2004 (www.bankofalbania.org). The largest value of the transfers from migrants to Albania belongs to 2007. It was about 952 million euro.

Table 1. The value of the transfers from emigrants 2004 – 2013

(Albanian Bank 2014).

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Remittances	774.21	802.11	937.23	951.71	833.31	781.32	689.77	664.53	675.28	497.21

Remittances have been destined mainly for the financial support of the family members. Most emigrants send money to parents, spouses and children. These two groups account for 90.5% of all recipients, while the relatives accounted for only 9.5%. This evidence suggests that 90% of remittances are used for consumption and only 10% for investment (IOM and ILO, 2007, p. 9).

The remittances which are a financial support for families tend to be small, which in most cases, are withdrawn immediately from bank accounts or other financial operators and money is kept at home. As a result, the capital representing money is not enough for productive investment purposes. It is estimated that 60% of remittances come from Greece and 30% from Italy (IOM and ILO, 2007 p. 10). 10% of them come from other countries like Germany, France, Great Britain, etc. Remittances go to rural areas in a proportion of 69%. (IOM and ILO, 2007 p. 10). Most remittances sent by the emigrants, are mostly irregular and seasonal flows.

Financial service providers

The use of banks is relatively limited: only 26% of the households (ILO and IOM, 2007 p. 7) that receive remittances have bank accounts. Furthermore, the financial products always meet the needs and demands of households that receive remittances. The low use of the banking services is partly influenced by a mistrust in the financial institutions for a part of the customers. There is a preference to hold cash rather than bank savings accounts (IOM and ILO, 2007 p. 11).

Money transfer methods are: the banking methods, the methods of the money transfer operators and the personal transfer method.

Banks

Banks offer a variety of standard financial products, including savings accounts and loans, and all provide transfer services. While banks provide transfers, there is still no coordinated effort to inform emigrants about these services. Some individual branches have begun in recent years to promote their services for emigrants at border crossings and ports.

While banks have developed a range of transfer products for expatriates and their families, some of them try to tie transfer services with other financial products they offer. Currently the only product directly linked transfers is a mortgage that allows migrants and remittance recipients to buy real estate based on documented income of emigrants in host countries (IOM and ILO, 2007 p. 12).

Banks consider emigrants and their families that have a small potential as consumers, and banks are perceived by this group that have very little to offer. Banks are seen as too complicated and bureaucratic and as offering slow transfer services. There is also a lack of knowledge of the products and services that banks propose. Given the fact that banks do not see this group as the main customer base, there is a limited selection of appropriate financial products. However, there are indications of an increase in transfers of remittances through formal financial channels. They are assessed on a scale from 39% in 2001 from 7% in 1994 (Uruçi and Gëdeshi, 2003).

This shows that emigrants' confidence in the financial system is rising gradually. The confidence in banks is also indicated by the deposit growth from 0.7 billion to 4 billion USD in 2004 (IOM and ILO, 2007, p. 13).

A particular issue for banks is the lending policies. The policies vary from one city to another, but in general are restrictive. There is a great reluctance to provide credit to new SMEs. Some banks require 12 to 36 months being business to consider lending. This is in addition to the collateral that must be 150% of the loan value. This makes it impossible to access loans to start business and adoption of this policy is an obstacle for the economic development of Albania. While banks are limited in relation to urban SMEs, most of them do not provide loans to the agricultural sector. This sector is considered high risk, given the problems that people face registering property and numerous legal disputes for the right of ownership of land, poor extension services available to the agricultural sector and the reports on the abuses of purchasers of the agricultural products from the monopoly and oligopoly positions. While there are a large number of recipients of remittances in rural areas, the population density is too low to be acceptable by the banks to expand their network in these areas. There is one exception, ProCredit Bank, which has previously been an MFI, and provides micro loans to farms except lending in urban areas.

Money transfers offers (MTOs)

Western Union (WU) and Money Gram are two main MTOs in Albania and have a total of 300 offices together. WU has the advantage of a comprehensive network which means that it is better positioned to serve customers in the rural and marginalized areas where banks are not present due to non-profitability of the customer base, by including post offices. The main reasons MTO's success in capturing such large market are:

- Fast service. In many cases, the transfer time is less than an hour to transferred money from abroad in Albania.
- Ease of use. MTO service is described as friendly user, especially for people with limited exposure to the formal financial system. Working with documents is limited and straightforward.
- For irregular migrants it is often the only alternative to personal transport. MTO does not require any document to small amounts. Banks often require documents to facilitate the transfer.

The quick and easy service of MTO means that they, rather than banks, are used in emergencies and unforeseen expenses. However, the cost of using MTO is high, about 5 - 10% of the transferred amount. (IOM and ILO, 2007 p. 16). This means that there are good opportunities to save by emigrants when they go to the traditional bank transfers. Although MTOs are part of the formal financial system, they have little potential to contribute directly to the economic development of the country.

Micro – finance institutions (MFIs)

Albania has a growing number of MFIs, with a market loans about 5% to the total loans (IOM and ILO, 2007 p. 16). They specifically target segments of society that are not served by commercial banks. MFIs provide loans to businesses (including start-ups) and also give credit for unregistered businesses. Although MFIs have enjoyed a huge increase, they are limited by law to savings. This means that for example, NOA is bound to attract loans from commercial banks. This is the reason that MFIs raise the cost of the financial products.

A separate provider of the financial services is The Savings and Loan Association. It has the legal basis to accept savings and provide loans, but serves only to the association members and the local community. These associations are scattered across the country and have become the largest financial institutions in rural areas with 11,500 members, operating in 400 villages. (Uruçi and Gëdeshi, 2003). As MFIs they cover in rural areas.

Personal transportation

Personal transport is considered more reliable and cheaper than bank transfers. The illegal emigrants, who cannot travel themselves, charge the others as couriers to bring their money home. However, personal transport is not safe and courier service is not free. A fee of 1% is the norm. Moreover, there is evidence that the money carried by couriers have not reached the destination (IOM and ILO, 2007 p. 18). But, nevertheless, the personal transport for illegal emigrants is the only solution. In both countries, Italy and Greece, banks require documentation to make the transfer, which means that illegal emigrants are effectively prevented from using banks for these services.

Political environment

The link between remittances and the economic sustainable development should be done locally and the local government has a central role as coordinator and promoter. There are only limited efforts to create proper infrastructure for emigrants, such as organizing information sessions prior to departure, or to support the launch of new businesses by emigrants. The local government does not promote the use of formal financial channels for transferring remittances, or to provide training for financial aspects for emigrants and their families.

A separate issue is the large informal economy (IOM and ILO, 2007, p. 21). The difficulties associated in starting a new legal business and the fact that SMEs can easily operate without permits and licenses, discourages entrepreneurs who have formalized their businesses. This presents a number of concerns, but also presents a barrier to the economic development of the country in the long run.

Use of remittances

Use of remittances in Vloara (case study)

The district of Vloara is the part of the southern mountainous area of the country. It includes Vloara, Saranda and Delvina. The region is very mountainous, but also has hilly meadows and valleys, enabling local people to earn a living through agriculture and livestock production (IOM and ILO, 2007 p. 31).

This county has a population of 175,640 inhabitants (INSTAT, CENSUS 2011). A survey conducted by the ILO shows that the average household size is 3.8 persons and less than 13% of households can be characterized as large, with more than 5 people. 45% of families have children on the school age, although only half of them have more than one child in school. A relatively high number of household heads are retired (50 %)(IOM and ILO, 2007 p. 32).

As in all other parts of Albania, significant changes occurred after 1990. Most of the population is now self-employed and working in small activities

in agriculture, services and tourism. Most enterprises in the region (95%) are small with 1 to 5 employees and the rest (5%) employ more than 6 persons. There are only a few large companies with over 80 employees, occupying 26.5% of the total number of employees in the region. Tourism is an important sector, which generates 23% of the revenue of the region. It is also considered the sector with high potential to promote economic development in the region (IOM and ILO, 2007, p. 31).

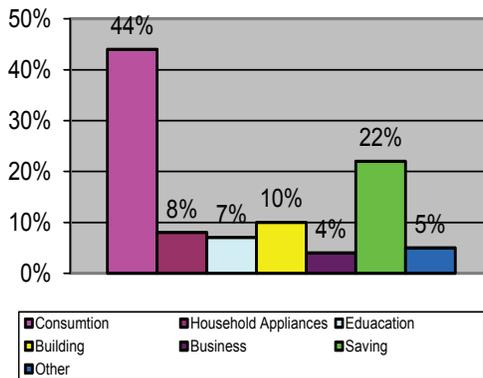


Figure 1. The use of remittances (Vlora)

Source: Albanian Government, IOM (2005).

Given the low level of income, 16% of respondents have savings as the main use of remittances and savings account for 22% of the total use of remittances (Figure 1). For a large majority of households spending pattern has not changed in the last five years. For those few that have changed the direction of spending, it seems that they have spent on education and savings.

According to a study made in Albania by AGENTA Institute in 2011, about 53.8% of families have received less money from emigrants in the last 5 years and approximately 57.6% of families at home have taken the money less than a year ago. The 73.8% of remittances are mainly used for food. Their use for consumption has fallen to 60.8%, for savings at 32% and 72% for investments. A portion of shipments, 11.1% spent on health expenses especially for more specialized health services.

The national strategy for emigration

The Albanian Government, with the support of IOM has provided approval of the National Strategy for Migration. Emigration is a major concern for Albania because about 20% of the population has fled the country for more than a decade, making Albania one of the countries with the highest level of migration flows in the world. Migration is also an important aspect of Albania's relations with the European Union member states as countries of destination for the majority of emigrants. Albania is in many cases considered by the EU as a third country where priority should be given to the fight against irregular migration. Management of migration flows is thus made an integral part of Stabilization – Association process.

The aim of this strategy is to provide a more comprehensive policy on migration, a policy that mainly reacted on fighting illegal flows, in a more comprehensive policy on the management of migration, and in particular of the migration flows. Below some of the points of the National Strategy for Emigration are selected briefly for this presentation.

The fight against the illegal emigration. The root causes of migration

It is known that people migrate from their country when resources and opportunities to meet their needs and aspirations are lacking. This is the situation of Albanian emigrants that left their home for a better life for themselves and their family. The main factors are:

- Economic factor. Albanians left their country mainly for economic reasons, such as the lack of employment opportunities, poor living conditions, especially in some areas that are short of the basic conditions as electricity, water and housing. The high levels of unemployment have been the main factor for the massive emigration flows in the 90s.
- Public Safety. Albania is facing massive migration flows as a result of the low level of public safety or riots in the country. A large number of qualified persons with good economic conditions have left the country for a more secure future for themselves and their families. This has been particularly the case after the 1997 riots that was followed by another frenzy of the mass exodus (National Strategy on Migration and National Action Plan on Migration, 2005, p. 22).

Presentation of the current policy

The National Strategy for Socio-Economic Development approved in 2001 is the first step for the development of Albania through sustainable and comprehensive economic growth. Some of the goals of the strategy are: to reduce the number of citizens living in poverty, improvement of the infrastructure and related services, improvement of health and education etc. (National Strategy on Migration and National Action Plan on Migration, 2005, p. 23).

In March 2002 was approved the Rural Development Strategy which presents an approach focused on promoting economic growth and poverty reduction in rural areas. This paper highlights the role that emigration plays in the loss of the active labor force in Albania, especially in rural areas, and emphasizes the need to combat the root causes of migration and not just limiting migration flows.

The Strategy for Employment and Vocational Training, adopted in January 2003, aims the creation of jobs by improving the labor market, by training staff through continuous education and by supporting the development of small and medium size enterprises.

In order to improve the functioning of the state structures, Albania is engaged in many cases to take effective measures to combat corruption and strengthen the rule of law by the Anti-Corruption Strategy in 199,8 which is accompanied by an Action Plan 2002-2003 and 2003-2004 (National Strategy on Migration and National Action Plan on Migration, 2005, p. 23).

Assessment of the current and perspective policies

Migration in Albania is mainly treated in the framework of the measures against trafficking and border management. Emigration cannot be fought only with repressive methods, but also requires preventive measures. This concern is taken into account in the Rural Development Strategy and partly in the Strategy for Employment and Vocational Training, but not at the right level in the Strategy for Socio-Economic Development.

The rural Development Strategy takes into account the links between emigration and agriculture. The high incomes obtained from emigration have reduced the agricultural activities of Albania. This is one of the main reasons why Albania is obliged to import almost all agricultural products. If work will be evaluated properly, Albanian emigrants working in agriculture in neighboring countries such as Greece and Italy would prefer to do the same work in their country (National Strategy on Migration and National Action Plan on Migration, 2005, p. 24).

The Strategy for Employment and Vocational Training touches issues of the vocational training for returning emigrants who are in difficult economic conditions. The focus of the strategy should be expanded in order to provide sustainable employment measures so that they do not leave the country again (National Strategy on Migration and National Action Plan on Migration, 2005, p. 24).

The Strategy for Socio-Economic Development does not address emigration in particular. Special attention should be paid to areas abandoned by emigrants due to lack of basic vital conditions such as water supply, electricity and infrastructure and to consider the ways to revive those areas (National Strategy on Migration and National Action Plan on Migration, 2005, p. 24).

The return of migrants

The process of returning has been from voluntary to forced return and it is done through a series of ways (National Strategy on Migration and National Action Plan on Migration, 2005, p. 25). According to these return programs, the returnees are given financial and material assistance. A large number of them are expelled as a result of irregular entry or stay in European countries. Most of them are from Italy and Greece, where a large number of illegal emigrants stay, and the United Kingdom where emigrants have not been successful in their application for asylum.

The return of the Albanian emigrants are often carried by air, however in the cases of Greece and Italy returns are made by land and from the ports of Durres and Vlora. After returning, the authorities select all individuals to ensure vulnerable groups, such as victims of trafficking and children

(National Strategy on Migration and National Action Plan on Migration, 2005, p. 25).

The way of return (voluntary or forced) has an impact on the sustainability of the return and the ability and desire of returning migrants for reintegration. Some sources suggest that returnees are especially young and unmarried.

Presentation of the current policy

All the readmission agreements are subject to third-country nationals and citizens of Albania. These agreements regulate matters concerning the administrative and procedural issues, which are the competence of the Ministry of Public Order.

The National Strategy to Combat Trafficking does not mention return as a phenomenon in itself, but uses it in the context of reintegration. The national strategy to combat trafficking of children is more comprehensive than the above presented strategy. It is focused on: the protection and reintegration of children victims of trafficking, assisted voluntary return; the interaction of the participants engaged in the fight against children trafficking (National Strategy on Migration and National Action Plan on Migration, 2005, p. 25).

The National Strategy for the Socio-Economic Development (2001) does not contain any reference to returnees and some law refers to consular functions, while in the framework of the national strategy on employment and vocational training (2003) it is necessary to enable the vocational training for the returning migrants to face the economic and social problems (National Strategy on Migration and National Action Plan on Migration, 2005, p. 26).

Assessment of the current and perspective policies

The current policy has demonstrated a clear commitment for the returnees as an element of the emigration policy, especially with the conclusions of the agreement between Albania and the EU. Its implementation has many

advantages (National Strategy on Migration and National Action Plan on Migration, 2005, p. 26).

The failure of the legal bases concerning emigration law for Albanian citizens for employment has determined that the proposed measures to provide assistance for migrants who have returned voluntarily are not completely effective. The Council of Ministers must specify which categories of the voluntary returnees will receive reintegration assistance and what assistance will be offered. This is because a number of people are not turning back willingly, therefore the strategy needs to adapt provisions which include other categories of returnees (National Strategy on Migration and National Action Plan on Migration, 2005, p. 26).

The studies in the field of “return migration” suggest the need for the creation of small and medium enterprises as well as sustainable employment, instead of some vocational training provided by the strategy. All these measures can be considered as a key in the root causes of migration and in ensuring a sustainable return (National Strategy on Migration and National Action Plan on Migration, 2005, p. 26).

Migration and the development of Albania

Improvement of the image of Albanian emigrants abroad

The image of Albania and the Albanian people abroad often carries negative effects that do not help in covering the major changes taking place into the country, which are positive in majority and improve the quality of life in a country that has emerged from 50 years of isolation. The Albanian emigrants, especially those found in Greece and Italy, where is concentrated the bulk of them, have been at the center of a unfavorable climate, which in many cases it is displayed in the form of discrimination and xenophobia. Anti-Albanian propaganda has been undertaken by media in host countries (National Strategy on Migration and National Action Plan on Migration, 2005, p. 29).

One of the reasons that contributed to the creation of this image is the social composition of a category of emigrants, which is characterized by

persons with low educational and cultural levels (National Strategy on Migration and National Action Plan on Migration, 2005, p. 29).

Another factor is the expression of xenophobia in political and electoral debates about migration in the host countries, which has a major impact on the public opinion. According to the press, the Albanian emigration appears as a disturbing element in the host society. This misconception states that the entire community of emigrants is involved in criminal activities, when in fact only a small part of this group is doing this (National Strategy on Migration and National Action Plan on Migration, 2005, p. 29).

Presentation of the current policy

In May 2003, the Albanian Cultural Institute was opened in Vienna, with the support of the President of the Republic of Albania and the Albanian Ambassador in Austria, with the financial contributions of the Albanian emigrants in Austria (National Strategy on Migration and National Action Plan on Migration, 2005, p. 29).

The Program for the United Nations Development is implementing a project called “The image of Albania” in close cooperation with the Ministry of Foreign Affairs and the European Integration Ministry. The purpose of this project is to improve the quality and the quantity of the information that is available for Albania and the cooperation with the government partners, the media and the local governments to increase skills in creating a more positive image of Albania and its people (National Strategy on Migration and National Action Plan on Migration, 2005, p. 30).

Assessment of the current and perspective policies

Currently there is no specific policy to improve the image of migrants in the host countries. As a result of the limited financial resources available for this purpose, this part of the strategy should focus on Greece and Italy, where most of the emigrants live. These communities may be urged to contribute financially or in other ways (National Strategy on Migration and National Action Plan on Migration, 2005, p. 30).

Although the first institute of the Albanian culture opened in Vienna, where the number of emigrants is very small, the community showed the vitality and the willingness to cooperate in such projects. Bilateral cultural agreement must relate at least to Greece and Italy and provision should be taken for the implementation of the existing arrangements to increase cultural exchanges highlighting the common aspects of the heritage of the host countries and the countries of the emigrants (National Strategy on Migration and National Action Plan on Migration, 2005, p. 30).

Another way of improving the image of Albanians abroad is highlighting the successful cases of Albanian emigrants, as students who are achieving high results in schools, entrepreneurs who run companies, sportsmen, scientific researchers and artists. It ought to be launched an awareness campaign to award the title “Ambassador of Albania” and finding the necessary financial resources for the media campaign to promote successful emigrants (National Strategy on Migration and National Action Plan on Migration, 2005, p. 30).

The contribution of migrants in host countries and in particular in their economies is quite large. The government should impose the duty to the Albanian Television to prepare a documentary on the Albanian migration with the positive and negative consequences for Albania and for host countries, in particular Greece and Italy. The cooperation should be sought and the Greek and Italian televisions to facilitate the collection of the information in the host countries and to finance the project (National Strategy on Migration and National Action Plan on Migration, 2005, p. 30).

Efforts have been made so far to address the migration and in particular to combat the organized crime related to it through the trafficking and the smuggling with concrete and understandable data (National Strategy on Migration and National Action Plan on Migration, 2005, p. 31).

The orientation of Remittances toward business investments

Analysis of the current situation

Remittances are the main mechanism of the poverty reduction in Albania and increase of the income of families. They provide not only an important economic support for the families of emigrants, but also for the social and economic stability of the country. They are used mainly to meet the daily needs (food, clothing, etc.). Secondly, they are used to improve the quality of life (the electronic equipment, furnishing houses, etc.) Third, they are used to expand and build new homes. A small portion of remittances are used to maintain traditions (marriage), etc., and kept in the bank or at home. Only in some cases remittances are used to purchase real estate in the services sector, agriculture, etc. (National Strategy on Migration and National Action Plan on Migration, 2005, p. 40).

The importance of remittances for the Albanian economy can be understood by their contribution to the country's GDP. Their importance can be measured when compared remittances with the Foreign Direct Investment or the Foreign Aid for Development. Remittances play a major role in the partial financing of the large trade deficit, but they cannot be considered as a permanent factor, as it is difficult to predict the remittance flows in the medium-term (National Strategy on Migration and National Action Plan on Migration, 2005, p. 41). Remittances play an important role in the country's macroeconomic stability by financing imports, affect the value of the local currency and the rapid development of the construction and service sectors. As a result, remittances have been a major factor in determining a characteristic of the Albanian transition: the domestic consumption is higher than the national production.

The transfer of remittances in Albania becomes possible through two channels, formal and informal ways. The informal channels are the main ways of transferring remittances in Albania. This is done mainly by emigrants themselves or from the wide circle of relatives and friends (National Strategy on Migration and National Action Plan on Migration, 2005, p. 41).

The ways of transferring remittances in Albania depend on a number of factors, such as the status of Albanian workers in the host country, short-

run or long-run migration, the development and the effectiveness of the banking system in Albania, the confidence of the migrants in the banking system who broke sharply from the collapse of the pyramid schemes in 1997, the level of information of migrants or their relatives about the banking system, the high cost of transfers for a small amount of money, the existence and the effectiveness of the informal channels, the unwillingness of emigrants to show the quantities of the money they transfer to Albania (National Strategy on Migration and National Action Plan on Migration, 2005, p. 42).

The remittances transferred in the informal way bear risks. A part of expatriates use couriers or other services to transfer money by paying a commission. This element continues to be important, but virtually its accurately is impossible to study.

The current policy

The Article 14 of Law no. 9034, dated 20/03/2003, for “The Emigration of Albanian citizens for employment purposes” is the legal basis for the remittance policy, according to which “the Government of Albania creates favorable conditions for facilities and the distribution in banks of cash of the Albanian emigrants “ (National Strategy on Migration and National Action Plan on Migration, 2005, p. 42). Government through its 2002-2005 strategy aimed “to encourage absorption of formal remittances by providing a favorable environment for improving the relationship between consumption and long-run investments”. Measures to encourage the emigrants to invest their remittances in business activities are continuously undertaken in comprehensive reforms (National Strategy on Migration and National Action Plan on Migration, 2005, p. 42).

Progress has been made in promoting domestic and foreign investments. The government has approved a medium-term strategy “for the development of small and medium-size enterprises”. This strategic document aims to create a favorable climate for the establishment of SMEs (National Strategy on Migration and National Action Plan on Migration, 2005, p. 42).

Institutes of microcredit and microfinance have been effective by serving those who do not meet the criteria for being clients of commercial banks.

The importance of the Albanian microcredit institutes is affirmed in the “Medium-Term Expenditure Framework for 2004 - 2006”, which is a budget program prepared by the Ministry of Finance in accordance with the National Strategy for the Social and Economic Development (National Strategy on Migration and National Action Plan on Migration, 2005, p. 42).

The estimates of current and prospect policies

Despite the importance of the present policies to attract remittances, there is still no developed and refined policy about the management and the use of remittances in favor of social development. The weakness of the financial system allows the exclusive use of remittances for the purchase of imported goods, and limits significantly the positive effect that could have their use in the development of the national economic system (National Strategy on Migration and National Action Plan on Migration, 2005, p. 43).

For the management of migrant workers a coherent policy should be developed and further more should be implemented, for two reasons: first, considering the extent and the impact on the economy, and second, the flow of remittances will probably decrease in long-run term due to continues integration of migrants in host countries (National Strategy on Migration and National Action Plan on Migration, 2005, p. 43).

Economic stability and favorable investment climate are the necessary conditions to implement any policy on migrant remittances. The main aim is not only to increase remittance flows, but to turn them into productive investment in Albania. Consequently, such a policy should identify measures to increase transfer of remittances through formal structures. High flows of remittances of migrant workers who cross through unofficial channels increase the demand for the improvement of official channels in terms of efficiency, safety, cost and anonymity. The expansion of the banking system in the country and the creation of new opportunities for transfers of money are important elements of such a policy. In particular, the Albanian banks can receive remittances of Albanians working abroad through the mediation of the “correspondent banking institutes” in host countries and the Albanian organizations of micro-credit and micro-

financing that can serve as local agencies that can channel this process (National Strategy on Migration and National Action Plan on Migration, 2005, p. 43).

The impact of remittances in the development of Albania

Usually, emigrants are not the focus of banking services, because this client group is considered of unstable workers and their transactions have relatively low returns, while the cost of managing this service is high. For emigrants banks could provide various financial products. This includes the relationship between remittances and investments (for example, the link of remittances flows with the loans or the micro-credit products) and the support of the contribution of migrants and migrant associations to the development of Albania (National Strategy on Migration and National Action Plan on Migration, 2005, p. 43).

Finally, the increase of the impact of remittances can be encouraged by strengthening the financial networks and the distribution network in the receiving cities of remittances in Albania, including the rural areas. The efficient distribution of remittances could be improved if would be authorized the micro - finance institutions and / or the credit unions that have an extended financial network in the country, that dealing with the underlying population with low income, who participate in the remittances market, or as an external actor or as a distribution partner of the existing institutions (National Strategy on Migration and National Action Plan on Migration, 2005, p. 43).

Conclusion and discussions

The lack of the appropriate jobs for educated people in the service sector and the lack of the modern industrial production capacities remain the major problems in the labor market. Poverty is the main cause of migration. Many rural areas have become depopulated areas.

There are weak links between remittances, the formal financial sector and the contributing factors. Remittances represent a great potential for increased transfers and savings in the banking system, making funds

available for the productive investment. The new social, economic and political condition of Albania confirms the need of a new Nation Strategy on Migration. The European Union and the Government of Albania should consult with migrant workers and the organizations that represent them; so their voices and their families could be heard in debates about the development of migration policies. The European Union should support the Albanian Government in the development and implementation of legislation and programs that will help vulnerable communities to obtain loans for the development of new businesses.

The remittances should be channeled from consumption to investment and production activities taking multilateral policies that encourage the returned emigrants to invest their earnings back home. In this context, the government should consider the possibility of introducing fiscal incentives to attract emigrants back home, such as: property tax exemption for returning emigrants to invest at home; the return of some taxes for the purchase of new equipment; and the return of new taxes or fees in the event that the activity launched by returning emigrant creates new jobs.

New policies should aim to increase the use of formal transfer channels (especially through banks) and to promote the use of savings accounts through financial awareness campaigns (for immigrants and their families), including information on the advantages and facilities of bank transfers, friendly treatment from banks, development of appropriate financial products for emigrants and supports for the emergence of SMEs.

An increased attention should be paid to the preservation and development of Albanian human capital, including preservation of cultural heritage and traditions in the country of emigration. The Albanian language instruction for emigrants' children abroad should be seen as a priority, while the Albanian government should support and encourage the creation of Albanian language courses through Albanian cultural centers abroad.

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