



COMPETING *for* REMITTANCES

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Executive Summary

The objective of this study is to provide the Government of Albania input to the *National Strategy on Migration* and the subsequent *National Action Plan*. This study has two broad areas of inquiry: (a) the extent and scope of remittance flows, and their transfer process, and (b) the potential of enhancing the impact of remittances' on economic growth and development. Its content, conclusions and recommendations should be read and understood within the emphasis management of emigration flows), and timeframe (to 2010), identified by these framework documents. In support of this objective we utilized mutually reinforcing qualitative and quantitative approaches.

A survey of Albanian emigrants, legal and illegal, was conducted in the period April-May 2005 within targeted areas of Greece, Italy and the UK, as these host countries represent 94% of Albanian emigrants. Simultaneously, we carried out family surveys of 1004 households that had at least one member working abroad. This survey was conducted in rural and urban areas of Korca, Kukes, Elbasani, Gjirokaster and Shkoder. This combination allows some scope for comparison and contrast of the remittance and savings behavior of both the senders and recipients.

A desktop review of the literature addresses issues related to: emigration, delivery of remittances and their use at the household level in Albania, as well as policies and practices implemented by countries experiencing migration outflows and remittance inflows. In-depth interviews, carried out with: short-term and long-term emigrants in Greece and Italy; emigrant households and returnees in Albania; representatives of interested specialized agencies and government ministries. These qualitative methods were designed to provide information that could not be effectively addressed through the above quantitative methods.

In the fifteen years since the beginning of the transition to a market economy more than 20% of the Albanian population emigrated, primarily to Greece and Italy; and more latterly to the United Kingdom and North America. The years 1991-1998 were particularly characterized by high migration intensities. Most of these emigrants were young, male and relatively well educated. Reflecting

the ongoing maturation of the ‘emigration cycle’, and in line with opportunities presented to legalize their status, many emigrants chose to reunify their families in their host countries (for instance, 55.6 percent in Italy).

The main sectors of male emigrant employment in Greece are construction (49%) and agriculture (21%). While in Italy the primary sectors are construction (43%), industry (19%) and services (16%) for men. In both neighbouring countries women are primarily occupied by domestic work. In the United Kingdom, construction and services are the two main sectors of occupations for men (33 % and 32 % respectively), while for women the services sector seems the most “preferred” (66 %).

Our findings show that Albanian emigrants have a high propensity to save; with an average annual savings level estimated at approximately 5,390 Euro per household. 75% of emigrants maintain a bank account in their place of residence, and keep their savings there. It has been widely accepted that emigrants’ remittances have been a major factor in the financial survival of the country, and. When comparing % age weight of emigrant remittances against GDP Albania places firmly at the top of the list of 20 emigration countries. Remittances are substantially higher than the value of Foreign Direct Investment, Foreign Economic Aid and exports. Our study confirms that remittances also play a key role in alleviating poverty.

For many families in Albania, access to a migration network and family exposure to migration (because of the remittances that follow) is one of the most viable means to escape poverty. The current macro and micro-economic situations show that there is a high dependence of Albania on remittances; nonetheless remittances have not been able to fuel substantial growth in the country.

While the majority of emigrants enjoy banking facilities in their place of residence, our surveys show that Albanian emigrants prefer to send remittances through informal channels (77.4%) – primarily hand-carry; and less with the formal ones (22.6 %) - the banking system remaining the *least preferred* formal channel. This can be explained by institutional, geographic and personal factors. In brief, the lack of breadth and depth of formal intermediation channels in Albania, the convenient proximity of the host countries, when combined with close family ties and regular visits home by the emigrants themselves make formal channels unattractive to the emigrant.

68.6 % of emigrants send remittances to Albania. The most common recipients are the parents of the sender, then spouse and children, then brothers and sisters, etc. Empirical data shows that 37.9 % of emigrants expect to remit less in the following years, 37.3 expect to remit the same amount and only 24.8% more. This, and a number of other findings, pointing in this direction, confirms the observation that the emigration cycle and remittance flows have entered a stage of maturity. When compared with the initial years of emigration Albanian migrants seem to be doing better in terms of their employment and income in their host countries; furthermore they are more often than not reunified with their immediate families, implying a certain amount of security of situation within the host countries. As part of this process, upon family reunification and their integration in the host country, migrants can be expected to remit less, even though their income levels may have increased at the same time.

The overwhelming majority of our sample both senders and receivers declare the financing of family daily needs as the primary use of remittances. Building, upgrading and furnishing the home, follows this; with investment in real estate as the next primary category. While undoubtedly important for poverty alleviation, this implies a very limited role in sustainable job creation. This in turn can lead Albania to share the experience of other labor exporting countries, where a dependency on remittances themselves can establish a vicious cycle - where migration creates pressure for more migration.

A large majority (56%) of long-term emigrants have a stated wish to return to Albania. The survey data indicates an average 'emigration cycle' of 17.6 years from the "first experience of migration" and 14.6 years from the point of obtaining legal status. Clearly, the stated wish to return reflects the interaction of many factors; both in the host country and Albania. Nonetheless, if we accept the hypothesis of a 14 to 18 year emigration cycle, it can be forecast that long-term Albanians emigrants wishing to return will begin to exercise that option in the following years; and that this return trend will continue to build through the period 2010 – 2015 before tapering off again. This return projection is noteworthy, as this particular category of emigrant has the capacity to bring with them substantial financial, human and social capital. Which in turn has the potential of playing an important role in the socio-economic development of the country. Conservatively estimated, our projections show, that long-term emigrants will have

accumulated a total pool of retained savings of between 10 and 15 thousand million Euro. Of this group of emigrants, 38.15% have indicated an intention to return and invest in Albania. This leads us to an estimated remittance pool of Euro 4.75 to 5.38 Billion. Which in turn represents some 86.9% to 98.5% of the Albania's Gross Domestic Product for 2003. Applying an average multiplier of 1.8, these retained savings (or 'migrant transfers') represent a potential and additional (remittance generated) GDP of between Euro 8.55 Billion to Euro 9.68 Billion; or between 156% and 177% of GDP for 2004.

At the same time, given the logic of the emigration cycle, and the factors that influence remittance behaviour, current remittances, now at record levels, can be expected to diminish steadily over the medium to long-term. This negative trend can be balanced and even reversed by introducing appropriate policies and measure specifically designed to increase the managed return of those retained savings (migrant transfers) mentioned above.

Most emigrants prefer to invest their retained savings in retail trade and restaurants, construction, real estate, tourism and agriculture. The calculation correlation coefficient between the sector of emigrant's employment abroad and the sector where they would like to return is 0.20. That said, our in depth interviews clearly reveal that emigrants believe that much would have to change in Albania before return and investment could be contemplated as a feasible option. Given the five-year window of opportunity open to it, the Government of Albania has every motivation to prioritize and implement those related policies and measures establishing a viable remittance management framework. The study therefore concludes with a number of policy recommendations and other measures in support of these findings and the stated objectives of the Government. In this regard, supporting the legalization of Albanian emigrants merits particular attention. As this will directly support: their income levels; their savings rates and savings behavior, and; their use of formal remittance channels. The document also provides remittance-related recommendations for the broadening and deepening of the financial intermediation institutions and processes; as well as measures promoting more effective direct investment by the emigrants, should they wish to do so.