

## **Gent Sejko: Effectively using remittances sent by Albanians abroad**

Address by Mr Gent Sejko, Governor of the Bank of Albania, at the high-level meeting on the remittances from the Albanian diaspora, Tirana, 11 December 2017.

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***Dear Minister Majko,***

***Dear guests,***

Welcome to the premises of the Bank of Albania! I would like first to thank the Minister of State for the Diaspora, Mr Pandeli Majko, for his initiative for higher attention to drawing in and effectively using the remittances sent by Albanians abroad.

Today's meeting is the first in a series of common steps to be taken by Albanian institutions, in an effort to give its due place to the financial contribution by Albanian emigrants to the welfare of their families at home. This contribution is also vital for the sustainable and long-term development of the Albanian economy.

The Bank of Albania has always considered the remittances as a very important contributing factor for the economy of Albania and beyond. In this light, the Bank of Albania measures and analyses the available statistics, and conducts non-quantitative assessments related to the geographical distribution of the sources of remittances, at the national and international level. The assessment of factors contributing to the level of remittances and the cyclical volatility of their flows over the years remains at the focus of our work.

For Albania, remittances represent a steady and considerable source of inflows, which surpass foreign direct investments, being thus a substantial source of financing economic growth in Albania. In this regard, the Bank of Albania considers remittances as an important source of income in the economy and a contributor to the Balance of Payments.

From a narrower perspective, remittances are estimated to have a significant impact on Albanian households, for reducing the poverty and improving the quality of life.

Even in the case of Albania, the studies performed by the Bank of Albania and the World Bank show that the income from remittances are allocated mainly for consumption, medication, and education, as well as for savings and investments, the latter mainly for residential properties.

In addition to the above, the Bank of Albania treats remittances also from the perspective of their inflow channels in the Albanian economy. Recent studies show that the formal transfer channels dominate, mainly through money transfer financial institutions, and less through banks. In the meantime, remittances in cash remain at high levels, which is worth for an in-depth analysis.

The World Bank survey conducted in 2016 concluded that the reasons for the limited use of the banking channels are the high costs on money transfers and the perceived cumbersome and complex procedures. To illustrate my point, according to this survey, the costs of remittances toward Albania are estimated at 9.4 per cent of the amount sent, compared to the 7.2 per cent average in the region.

We are all aware that the more financial channels are used, the more finances penetrate in the economy. Moreover, the increase in the use of financial channels contributes to enhancing financial inclusion, increasing the opportunities for savings and productive investments.

Taking into account the benefits from the formal penetration of remittances in the economy and the insofar contribution to the banking and financial sector, the Bank of Albania suggests added

attention with regard to reducing transfer costs and improving or designing afresh products and services /targeted to this segment of the population. From its side, the Bank of Albania is engaged to further modernise the payment system infrastructure and align the legislation to the EU directives for an open, barrier-less, and competitive market.

In the last two years, the Bank of Albania has been engaging in concrete projects with the World Bank, related to remittances and financial inclusion.

The first project consists in an assessment of the compliance with the “General Principles for international remittance services” designed by the World Bank and the Bank for International Settlement and a concrete action plan, with many stakeholders involved, to comply with those fields that need further improvement.

Another noteworthy project is the Greenback of the World Bank dedicated to remittances, implemented in several countries across the world. This project comes now to Albania as a receiver of remittance and aims at enhancing the efficiencies in the market for remittances and raising the awareness and financial education, and has Bank of Albania’s endorsement until its completion.

The other project consists in assessing the compliance with the criteria set out in the framework of the “Payment aspects of financial inclusion”. By complying with the criteria from the involved stakeholders, it aims to increase the number of households and enterprises (mainly the small ones) that have a bank account or a payments account to conduct various transactions.

In addition to the above, for a broader review of the remittances across all its dimensions, the Bank of Albania commits today in the framework of this meeting to produce a dedicated publication, which will be presented every June, a period which coincides with the International Day of Family Remittances, 16 June.

Last but not least, considering the coordination among state authorities as very important, as well as the constant communication with the private sector, we are signing today the Memorandum of Understanding. It is aimed at raising the awareness, facilitating dialogue and fostering effective cooperation between the parties on issues related to remittances from the Albanian diaspora, contributing to economic development.

The joint engagement we are initiating today is the first necessary step of a development platform for the empowerment and effective use of remittances.

In conclusion, I would like to underline once again that it is time that we show more care, appreciation and gratitude to tens of thousands of Albanians abroad, who, through sacrifice, continue to contribute to the welfare of our nation, sending a part of their savings to their families back home.

We invite the banking industry and other actors in the financial system to contribute to this initiative, with concrete vision and products, taking into account that you can play a special role in effectively mobilising remittances.

Reasserting our institutional support and commitment for this initiative, I am confident that this will be an on-going dialogue to facilitate every undertaking in the aspect of remittances.

Thank you for your attention!