

# MIGRANT Remittances

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## From the Editor

Dear Readers,

This issue verifies that recovery from the recession is uneven or diverging as remittance flows slowly grow in some regions and countries and continue to decline elsewhere. At the same time, the money transfer market continues to develop with new regulations on remittances and additional mobile and web-based programs providing transfer services. The Dodd-Frank Wall Street Reform and Consumer Protection Act is an effort to set rules on transparency and disclosure to increase consumer protection. Similarly, firms from the mobile and money transfer business are seeking to expand their presence in the migrant money sending market by introducing applications attractive to migrants.

The research review analyzes how firms are working toward meeting effective methods and demands for money transfers. The guest article and country profile take a turn to Europe. We review migrants living in France, their social capital, and attributes as individuals and organized communities. Albania is profiled as a major European remittance recipient country with experiences and characteristics that highlight policy opportunities for improving competition and increasing financial access through remittances.

*Manuel Orozco*

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## Worldwide Trends in International Flows

### Highlights on International Flows

#### 2009-2011 Remittance Projections

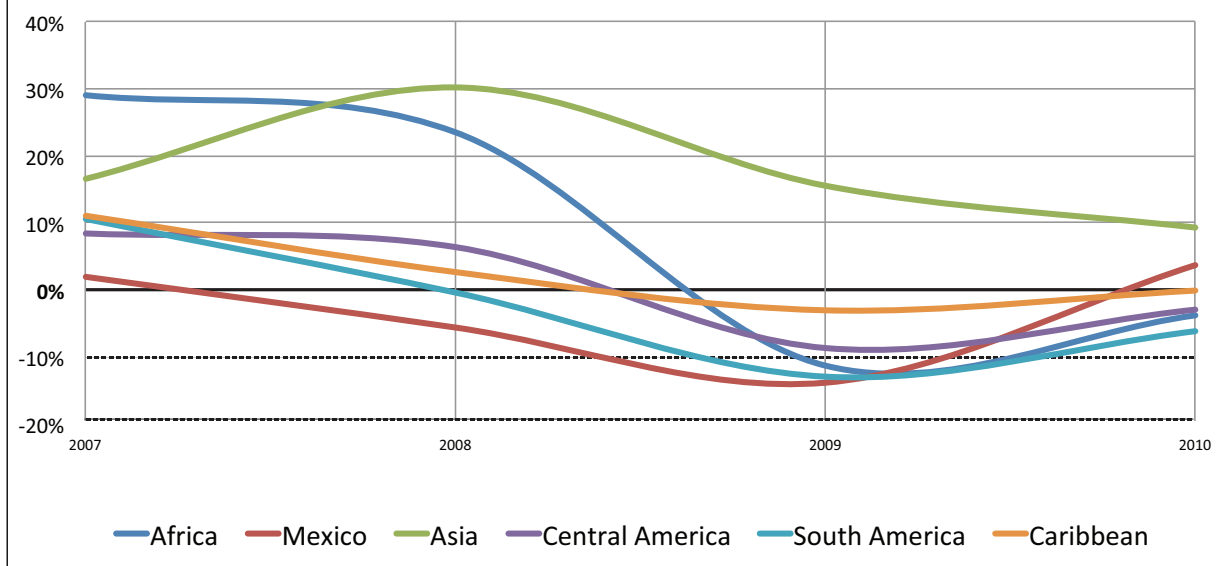
**The slow rate of economic recovery in migrant host countries has led to a more erratic recovery of remittances levels** following the drop in remittances sent in 2009 (see Figure 1 on next page). The global economic crisis led to a well-reported and unprecedented drop in the rate at which remittances were being sent to home countries. The first two quarters of 2010 has shown some turn around, with countries such as the Philippines, Morocco, Bangladesh, Honduras and El Salvador returning to or surpassing pre-crisis remittance growth rates. At the same time Kenya, Guatemala, the Dominican Republic, Colombia, and Ecuador are still experiencing declining remittance levels. The wide spread and varied recovery among remittance-receiving nations suggests that the crisis may not have a uniform impact on remittance senders or remittance receivers and that many families with migrants are still experiencing the effects of the crisis.

**Remittances were credited with significantly reducing poverty levels in the northwestern state of Khyber Pakhtunkhwa, where they account for more than 9 percent of household income.** The recent flooding in the area likely eroded most of those gains in poverty reduction.

## Contents

- 1 Worldwide Trends in International Flows
- 4 Guest Article: Diasporas in France: Well Organized Collective Actions
- 5 Research Note: Migrants' Use of Technology and Tech-Based Remittances
- 7 Country Profile: Albania
- 6 Events
- 9 Publications

FIGURE 1: GROWTH RATE OF REMITTANCES 2007-2010



Source: Author's calculations based on Central Bank data on monthly remittance flows. Data for 2010 is through the second quarter.

**In response to the heavy flooding in Pakistan, which have affected more than 14 million people, Pakistani immigrants sent \$933.06 million dollars home in August, an increase of 13 percent from the same period the year before.** The response of the migrant community is an important part of the overall aid response to the flood-affected areas, though many remittances have not reached their intended beneficiaries. Damaged infrastructure such as roads, bridges, phone lines, and buildings have made it more difficult for recipients to reach service providers. Many remittance providers have left heavily hit areas and high levels of internal migration have made it more difficult for them to register recipients' locations and provide pay outs. The circumstances have had a particularly detrimental effect on the unbanked population receiving remittances.

**The Government of Pakistan has set up the Prime Minister's Flood Relief Fund where the diaspora can remit money in both US dollars and Pakistani rupees.** Missions and consulates around the world have set up similar funds in which the diaspora can deposit money. Moneygram and Western Union are also contributing to humanitarian efforts. From August 20-September 20, Moneygram donated \$3 to the Red Cross with each money transfer to Pakistan from certain corridors. Western Union dropped transfer fees to Pakistan from certain countries between August 1 and September 12 and donated \$100,000 to the International Rescue Committee's work in Pakistan. It also offered an agent matching program, where it matched agent and employee donations to Pakistan up to three times the donated amount.

**In a July 23<sup>rd</sup> report, the European Commission's Eurostat announced that remittance flows from Europe stagnated in 2009 after steadily increasing since 2004.** Although intra-EU remittances began to decline in 2006, total remittance flows increased in 2007 and 2008 propelled by the double digit growth of extra-EU remittances. Remittance flows to non-EU countries and total remittances declined for the first time in 2009. Spain, Italy, France, and Germany are the largest remitters to non-EU countries. Spain is also one of the largest remittance-receiving countries within the EU, along with Romania, Poland, and Portugal. Of the total remittances these countries received in 2009, 70 percent came from other countries in the EU. Without remittance flows, Eurostat calculated that the current account deficits of Romania and Poland would be 50 percent higher.

**Ethiopia saw remittances rise by 9 percent within the last year, to \$780 million.** Remittances to Ethiopia have continued to trend upward over the last few years, but still do not reach the level of money transfers to neighboring Kenya and Egypt. Ethiopian officials credit the rise to regulatory reforms that allow Ethiopians to keep remittances in dollar-denominated savings accounts.

**Remittances in the Philippines also outpaced original estimates, growing by almost 7 percent in the first half of 2010.** Remittances to the country are expected to grow by 8 percent by the end of the year and are expected to drive economic growth in the country by an estimated 5-6 percent this year. Experts suggest that the growth in remittances can be attributed to increased demand abroad

for Filipino's relatively high-skilled labor.

## Remittance Provider and Financial Intermediation Updates

**Second quarter earnings for Western Union showed slight revenue growth.** The company recorded revenue of \$1.3 billion in the second quarter of 2010, a 2 percent increase from the same quarter last year. Meanwhile, Moneygram earned \$283.6 million, a decrease of 3 percent from the previous year's second quarter. The varied growth across the major providers can be attributed to the struggling economies in many remittance-sending nations. (IAMTN press release and WU quarterly report)

**Moneygram signed deals with the National Bank of Abu Dhabi (NBAD) to expand the use of mobile technology in money transfers.** This agreement will allow account holders to make domestic and international money transfers through their mobile phones. According to a press release from the bank, NBAD is the first bank in the Middle East and North Africa to utilize international remittance transfers through mobile technology. Moneygram also recently reached an agreement to send remittance transfers through Sberbank, the Russian Federation's savings bank and the largest in the region.

**The French Ministry of Immigration, Integration, National Identity, and Co-Development signed an agreement with Moneygram in June seeking to lower fees for the nearly six million immigrants currently residing in France.** The agreement also aims to spread money transfer services to convenience stores selling tobacco, cell phone minutes, and metro and bus tickets. This initiative increases opportunities to send remittances through nonbank transfer sites to accommodate unbanked immigrants.

**In May, Bangko Sentral ng Pilipinas (BSP), the central monetary authority of the Philippines, prioritized the Overseas Filipino Workers' (OFW) remittance environment as one of its key issues.** To achieve this goal, the BSP has embraced a campaign of financial learning to promote a culture of savings amongst Filipinos and to encourage the productive use of remittances through small and medium enterprises. To complement this strategy, BSP has promoted the use of specialized investment products at commercial banks designed specifically for OFWs. (source: email from Leila Rispens-Noel on 5/16)

## Regulatory Developments Around the World

**On July 21, 2010 US President Barack Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act.** Although largely focused on regulating Wall Street, the legislation includes measures aimed at increasing transparency and consumer protection in the remittances market. Provisions include that mandating fees, exchange rates, total transaction costs, and amounts to be received in the home country be included on a remitter's receipt; the use of a multilingual written notice detailing all costs involved in the transaction; and inclusion of remittances in the Strategy for Assuring Financial Empowerment (SAFE) program, which could help increase migrant access to financial education. The Act also calls for a report on the use of remittances for credit scoring, which may help some immigrants improve their credit score.

**The Central Bank of Azerbaijan instructed all commercial banks to cease business operations with money transfer agency MIGOM on June 8, 2010.** The Central Bank cites illegal remittances to Nagorno-Karabakh, a disputed region occupied by Armenia, as the reason for halting transfer activity. Western Union and Moneygram were previously suspended in 2008 by the Central Bank, but were allowed to return to the market less than a month later.

**The Korea Exchange Bank, controlled largely by a US buy-out fund, stated that it would halt all USD dollar remittances to Myanmar in October of 2010.** This move corresponds to a US Congress embargo on Myanmar due to human rights violations and alleged ties to North Korea. Myanmar stated it would hold elections for the first time in two years on November 7.

**The Central Bank of Bangladesh will allow more commercial banks to open exchange houses abroad.** However, this increase is set to take place at a slow pace with the Bank considering 13 applications to join the 35 exchange houses currently in operation around the world. The Central Bank emphasized the need to selectively open exchange houses in foreign markets to avoid saturating a particular region or market.

## International Cooperation and New Projects

**The African, Caribbean, and Pacific (ACP) Observatory on Migration will launch on October 25-27, 2010 in Brussels with the goal of researching South-South migration via a network of stakeholder institutions and governments.** The ACP Observatory is a joint initiative between the ACP group of States and the International

Organization for Migration and is supported financially by the European Union and Government of Switzerland. The Observatory is currently engaging with 12 pilot countries in Africa, the Pacific, and the Caribbean and exploring research themes such as forced migration; climate change and migration; and migration and health.

**The International Organization for Migration and the Universal Postal Union signed an agreement to strengthen collaboration and cooperation for migrant remittances.** The two organizations are currently working together in a project focused on the Tanzania–Uganda corridor, to improve remittance transfers to remote areas. The agreement builds upon the UPU’s extensive network of branches in remote locations and their International Financial System, which allows for money transfers.

**Migration Development Fund to support projects in Africa.** The African Development Bank, with support from the International Fund for Agricultural Development, the Government of France, and the Inter-American Dialogue is establishing a Migration and Development Fund. The Fund will finance projects related to remittances, financial access, and local development in migrant home countries in Africa. Actors from various sectors are eligible to submit applications for projects in the following areas: expansion of the availability and quality of information in remittances, reforming regulatory frameworks, development of new financial products, promotion of productive investment, and promotion of local development. The fund will begin accepting proposals from mid-October to mid-November. A complete calendar and more information on the call for proposals can be found at [www.fundsforafrica.org](http://www.fundsforafrica.org).

#### GUEST ARTICLE

## Diasporas in France: Well Organized Collective Actions

*Maëlan Le Goff, Research Assistant at the Inter-American Dialogue*

There are more than 1000 international solidarity organizations for migrants (or OSIMs according to their acronym in French<sup>1</sup>) actively engaged in transnational advocacy in France. These groups carry out diverse projects including implementing irrigation systems, health and education initiatives, rural development, and human rights projects in Africa, Asia, and the Caribbean. Though the reach of their work is almost universal, one third of OSIMs are active in the Senegal River region (Mali, Mauritania and Senegal) and 75 percent are focused on Sub-Saharan Africa. OSIMs are based mainly in Paris and surrounding areas where migrants are numerous. These

groups are actually descended from the informal funds of solidarity and mutual assistance created in the 1970s by diasporas whose objective was to help members resettle in France. These community groups have gradually turned to international solidarity actions to promote development of home countries. Their actions have become increasingly visible, especially through the building of sanitary infrastructures, schools or wells in villages, and they have been gradually recognized as key development actors by governments in France and abroad.

OSIMs were established as informal organizations but slowly evolved to become more formalized and structured. One important step along this path occurred in 1981, when migrant associations were granted recognition as 1901 non-profit organizations (similar to the U.S. 501(c)3 status).<sup>2</sup> Since then, they have been increasingly structured in federations of migrant organizations like the Federation of French–African Associations for Development (FAFRAD<sup>3</sup>). The attempts to structure the migrant association movement culminated in 2002 with the creation of a forum for dialogue between migrant associations and the French government: the FORIM.<sup>4</sup> This national platform represents more than 700 OSIMs in national consultative bodies and values their contribution to international cooperation.

Although these initiatives contributed to formalizing their efforts, OSIMs operate without subsidies from the state, relying instead work off of membership dues and proceeds gained from activities organized in France. However, some of their actions are financially supported by external partners (such as NGOs, decentralized cooperation) or as part of national programs (such as co-development programs).

As migrant community groups formalize and consolidate, they continue to represent a diverse immigrant community in Europe. A recent survey on migrants living in Paris demonstrated significant socioeconomic differences. The majority of migrants (58 percent) are between 30 and 49 years old, while 14 percent are more than 50, and about 38 percent are 29 or younger. Furthermore, while 30 percent of the interviewed went to university, 14 percent did not attend past primary school. Differences in education are reflected in incomes: 53.6 percent earn an annual income of €15,000 or less, while 35 percent earn between €15,001 and €25,000 a year, and 7 percent earn more than €25,001. Most migrants work in services, construction and trade sectors but more than 11 percent are unemployed.

<sup>2</sup> Through the repeal of the 1939 decree prohibiting foreigners to set up associations

<sup>3</sup> *Fédération des Associations Franco Africaines de Développement*

<sup>4</sup> *Forum des Organisations de Solidarités Internationales Issues des Migrations*

<sup>1</sup> *Organisations de Solidarité Internationale Issues de l’Immigration*

Migrant family status is also not homogeneous: 62 percent of people surveyed are married or in a relationship, while 33 percent are single. Moreover, some migrants have children in France (38 percent), some others have children in the country of origin or in both countries (27 percent), and some do not have children (35 percent). About 50 percent of people surveyed have been living in France for less than 10 years and 26.5 percent have been here for more than 20 years. Their legal situations are also various: 33.3 percent of respondents have French nationality, 28.5 percent received a permanent resident card, 33.2 percent have a resident card of one year, and approximately 5 percent are illegal. Migrants are also diverse in their attitudes towards returning to their country of origin. While 45 percent say they return at least once a year to their country of origin, 34 percent say they never or rarely go back. A similar divergence is noted for the frequency of phone calls: 53.6 percent call their relative there at least twice a week and 12.6 percent call them only once a month or less.<sup>5</sup>

These divergences are reflected in remitting behavior. Migrants living in France send an average of €2,840 a year, however, some migrants (especially those from Sub-Saharan Africa) tend to remit small amounts very frequently while others are likely to remit large amounts (more than €1,000) only 3 or 4 times a year. Differences also appear in the ways migrants send money home: 73 percent say they send money only through formal channels, 14 percent only resort to informal channels, and the remainder said they use both. Given the diversity of the migrant community in Paris, it is also very likely that the recent financial crisis affected migrants unevenly. Further research on the impact of the crisis on immigrants in Paris and their remitting behavior would be useful in this regard. The growing body of research on OSIMs and the migrants they represent will continue to provide insights into the economic and organizing force of migrants in Europe.

#### RESEARCH NOTE

## Migrants' Use of Technology and Tech-Based Remittances

*Elisabeth Burgess and Netta Ascoli, Research Assistants at the Inter-American Dialogue*

As smart phones, the Internet, and other technologies gain popularity in the United States, many banks and money transfer operators are developing web and mobile-based services in an effort to expand the money transfer market. In order to test whether these new services respond to immigrant needs in making international remittances,

<sup>5</sup> Results obtained from a survey of 500 randomly selected migrants remitting money in and around Paris, performed in April 2010.

the Inter-American Dialogue compared the new money transfer platforms with migrant use of internet and mobile technology.

Less than 20 percent of Latino migrants in the U.S. actively use various technologies in their daily lives.<sup>6</sup> Only 40 percent of migrants use the Internet and although the vast majority (92 percent) own cell phones, only 51 percent send SMS text messages. Less than a quarter of those surveyed use advanced applications on their mobile phone such as taking photos, accessing the Internet, or listening to music, usually because their handsets are not enabled with these functions. With regards to remittances, the vast majority of Latino migrants in the U.S. have yet to embrace new front-end technology applications to send money back home, such as using card-based, Internet-based, or mobile phone-based transfers<sup>7</sup>. At the same time, nearly half of Latin American migrants in the U.S. report they are willing to switch to new remittance methods, regardless of their satisfaction with their current sending method. Their preferences for switching focused on direct deposits over applied transfer technologies such as cards, mobile phones, or the Internet. With these findings, the authors tested and analyzed several new U.S.-based mobile money transfer services: PayPal Mobile, Amazon.com's TextPayMe Inc., Obopay, and M-Via. These new services were launched amid the well-publicized success of companies in developing countries, like Kenya's M-PESA, that enable people to store value in their mobile phone and send that value to another user with an SMS text message.

In 2009, PayPal Mobile partnered with social networking site Twitter to create Twitpay. TextPayMe Inc., which started in 2005, was acquired this year by Amazon.com. These services, as well as others such as MasterCard's MoneySend, powered by Obopay, and M-Via, also have developed similar services in the past year. PayPal, TextPayMe and Obopay are mobile-to-mobile services that require the sender to have a mobile phone, Internet access, and email access. Although transfers can be initiated with an SMS text message, they are best designed for use with Internet-enabled phones or smart phones<sup>8</sup>. Additionally, both sender and recipient

<sup>6</sup> Orozco, Manuel, Elisabeth Burgess and Netta Ascoli. "Is there a match among migrants, remittances and technology?" Inter-American Dialogue, forthcoming. Data in this article is based on a survey conducted in May 2010 among 1100 Latin American migrants in the United States, as well as product testing exercises.

<sup>7</sup> Over 90 percent of migrants reported using cash-to-cash transfers, 3 percent use banks, 2 percent use the Internet, and the rest use informal means such as a traveler or mail.

<sup>8</sup> Mobile money transfers that rely on Internet-enabled phones are classified as what David Porteous of Bankable Frontier Associates calls the "3G" generation of mobile money transfers. By that token, Kenya's M-PESA is a "2G" model deployed by telecom operators and relying on simple SMS text messaging.

must have bank accounts to deposit or withdraw funds. M-Via, the most recent addition to the market, is looking to occupy the niche U.S.-Mexico remittances market using a cash-to-mobile model.

A test of these services evaluated whether they have similar potential for migrants who remit abroad on the basis on four indicators: functionality, usability, formality, and openness. The current mobile money transfer options in the U.S. are not well suited for international migrant remittances for two main reasons: lack of advanced technology use among migrants and the domestic nature of the current product offering. In each indicator, most of the services had severe limitations. Common issues found during testing were registration processes that required both tech savvy users and access to Internet and email in addition to the mobile phone. Furthermore, some companies required state-issued identification to use services, which may severely limit use by undocumented immigrants. The “openness” of these services is relatively limited to an audience that is financially literate and technologically capable, as well as patient with the steps required of both sender and recipient.

Given the disconnect between migrant needs and the current market offerings, it is not likely that mobile money transfer products will develop into a large channel for international remittances anytime soon. Of the mobile money transfer services available in the U.S., currently only M-Via and PayPal offer international payments and these are still limited to specific corridors. PayPal is further limited by its restrictions on how recipients can withdraw funds from their online wallet. Migrants mainly send money abroad and therefore cannot benefit from a mobile program that does not allow them to send money home easily.

## Events (October 2010-January 2011)

October 8-12, 2010. Fourth World Social Forum on Migration. Quito, Ecuador. <http://www.fsmm2010.ec/en/Viacampesina.php>

October 11-12, 2010. Second International Colloquium on Globalization and Migration (*Segundo Coloquio Internacional sobre Globalización y Migración*). San Cristóbal de las Casas, Chiapas, Mexico. <http://www.inami.gob.mx/index.php/page/Eventos>

October 14-15, 2010. Seminar: Making Sense of Migration Statistics. Brussels, Belgium. <http://seminars.eipa.eu/en/activities09/show/&tid=3655>

October 16-19, 2010. Fifth Annual International Money

Transmitters Conference. Miami, Florida. <http://www.nmta.us/site/page.php?379>

October 19-22, 2010. Call for papers: What migration for which development in Africa? Applied Economic Research Center for Development, Social Economics, and Human Development Division, CREAD, University of Bouzaréah, Tamanrasset, Algeria. <http://www.uaps-uepa.org/publishdetails.php?recordID=36>

October 21-23, 2010. Microfinance Impact and Innovation Conference. New York, New York. <http://www.microfinanceimpact2010.org/>

October 24-27, 2010. Mobile Money Transfer Global Conference and Expo. Dubai, United Arab Emirates. <http://www.mobile-money-transfer.com/global>

October 25-27, 2010. African, Caribbean and Pacific States (ACP) Observatory on Migration Founding Event. Brussels, Belgium. <http://www.migration4development.org/content/launch-events-acp-observatory-migration-brussels>

November 8-11, 2010. Global Forum on Migration and Development. Puerto Vallarta, Mexico.

November 15-16, 2010. Money Transfers London Summit. London, United Kingdom. <http://www.iamtn.org/conference-calendar>

November 15-24, 2010. Mobilizing Diaspora Civil Society for International Development: A Capacity Building Workshop for Women Leaders of Diaspora Associations. Haifa, Israel. <http://www.un-instraw.org/grvc/fr/nouvelles/mobilizing-diaspora-civil-society-for-international-development-a-capacity-building-workshop-for-women-leaders-of-diaspora->

November 22, 2010. The Advisory Council to The Hague Process on Refugees and Migration (THP) will meet at the annual Club of the Hague Meeting. The closed meeting includes representatives of stakeholders and regions involved in The Hague Process. More information and meeting updates will be available shortly at <http://www.thehagueprocess.org>

January 17-20, 2011. Mobile Money Transfers Asia-Pacific Conference and Expo. Manila, Philippines. <http://www.mobile-money-transfer.com/apac>

## COUNTRY PROFILE: ALBANIA

**Population:** A country of just over 3 million people, Albania's population is very young, with 66.5 percent between 15 and 64 years of age and 24.2 percent that is 14 years or younger. With life expectancy at 77 years<sup>9</sup> and an average household size 4.3 (2005 est.),<sup>10</sup> the population growth rate is just at replacement levels. The population is closely split between urban and rural areas, with 46.7 percent living in cities and the remainder in the countryside. The adult literacy rate is almost 100 percent.<sup>11</sup>

**Migration History:** Albania is one of the poorest countries in Europe, with twenty-five percent of Albanians living below the poverty line (2008).<sup>12</sup> Following the death of Enver Hoxha, the dictator from 1944 to 1985, the communist party introduced more liberal migration policies until the government ended controls on internal and external migration in 1990. Between 1991-1992, approximately 300,000<sup>13</sup> Albanians left the country due to growing political instability, social unrest, a weak economy, and the opening of the borders

Most Albanians migrated to Italy and Greece, destinations chosen for their geographical and cultural proximity. Migration to these countries as well as to the United States and the United Kingdom continued from 1992 to 1996, albeit to a lesser degree due to greater economic and political stability in the country. In late 1996, Albanians lost \$1.2 billion in savings (about half of Albania's GDP in 1996) when high-profile pyramid schemes collapsed, stripping hundreds of thousands of Albanians of their life earnings.<sup>14</sup> About 70,000 Albanians left the country in the next few months.<sup>15</sup> In March 1997, a multinational force led by Italy helped restore political stability and curtail emigration from Albania. From 2000 onwards, Albanian emigration has continued, but stricter migration controls internally and externally, as well as greater political and economic stability have curbed migration rates.

*Of the Albanians living abroad, more than two thirds live in either Greece or Italy*

**Estimated number of migrants abroad:** A 2008 report by the International Organization for Migration (IOM) estimates that about 860,485 Albanian migrants, more than a quarter of the population, lived abroad at some point in 2005. The majority of Albanian emigrants are male, although female emigration has increased in recent years as women seek education opportunities and family reunification abroad.<sup>16</sup> According to the World Bank's Migration and Remittances Factbook, a fifth of Albanians with tertiary degrees lived outside the country in the year 2000,<sup>17</sup> and research by the UNDP Brain Gain Programme finds that more than half of Albania's lecturers and research workers emigrated between 1991 and 2005.<sup>18</sup>

9 WB development indicators (<http://data.worldbank.org/indicator/>)

10 'Trends in Europe and North America', in *The Statistical Yearbook of the Economic Commission for Europe 2005* (UNECE, 2005).

11 WB development indicators (<http://data.worldbank.org/indicator/>)

12 IOM, 'Migration in Albania: A Country Profile 2008' (International Organization for Migration, 2008).

13 Calogero Carletto and others, *Internal Mobility and International Migration in Albania*, ESA Working Paper (Food and Agriculture Organization, June 2004).

14 IOM

15 Carletto and others.

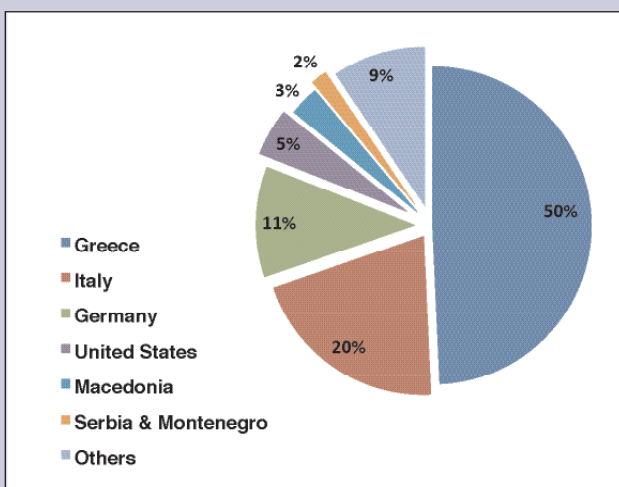
16 IOM.

17 'Albania', in *Migration and Remittances Factbook*, ed. by Dilip Ratha and Zhimei Xu.

18 Centre for Economic and Social Studies (CESS) - Development Research Centre on Migration, Globalization and Poverty (2006) From Brain Drain



## Albanians Abroad



Source: Data derived from: Orozco, Manuel. "Estimating Global Remittance Flows: A Methodology," Washington, D.C., Inter-American Dialogue, 2007, and Sending Money Home: Worldwide Remittance Flows to Developing Countries, Rome; International Fund for Agricultural Development, 2007.

**Host Countries:** Greece (50 percent) and Italy (20 percent) are the primary destinations for Albanian migrants.<sup>19</sup> Other popular destinations are the Former Yugoslav Republic of Macedonia, United States, Germany, Serbia, and Montenegro.

**Common occupations of migrants:** Most Albanian migrants work in low- to medium-skill positions. Male and female migrants tend to have different occupations in the countries they migrate to. According to 2005 IOM research, male Albanian migrants in Greece primarily work in the construction and agriculture sectors, while in Italy, men are employed in the construction, manufacturing, and services sectors. In the United Kingdom, most Albanian males work in construction and services, while two thirds of women are employed in the service sector.<sup>20</sup>

to Brain Gain: Mobilizing Albania's Skilled Diaspora, UNDP Policy Paper cited in IOM 2008.

19 Migrants: Development Research Centre on Migration, Globalisation and Poverty. "Global Migrant Origin Database." Version iv, March 2007. <http://www.migrationdrc.org/>

20 IOM

Albanian women in Italy and Greece tend to work as maids or other house servants. A high level of domestic service means that Albanian women are often at risk of being trafficked for the purpose of sexual and labor exploitation in Western European countries. According to the IOM, 1,750 Albanian victims of trafficking were identified between 2000 and 2004. Victims were often trafficked by someone known to them, suggesting an economic motive for poor families. While such activities have declined in Albania in recent years, traffickers continue to exploit stricter immigration policies and fewer legitimate job opportunities abroad by offering women the false hope of earning money and improving their living standards.<sup>21</sup>

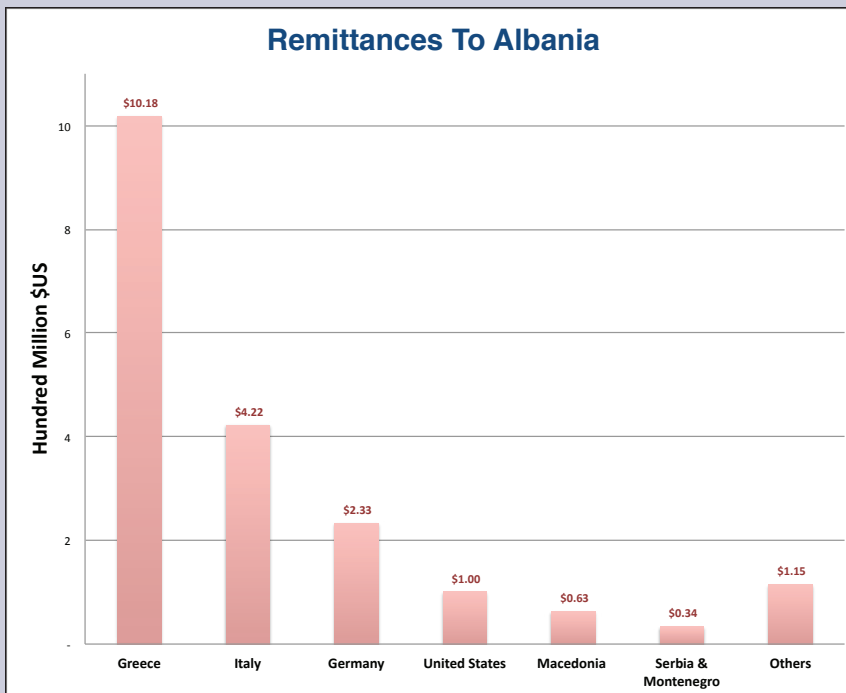
According to the Bank of Albania, 26 percent of households in 2008 reported having family members living outside Albania. Of these, 60 percent stated receiving remittances, meaning that 15 percent of total Albanian households received remittances. In 2008 the majority (57 percent) of remittance recipients lived in rural areas and received 54 percent of the total volume of remittances.<sup>22</sup>

***Albanians living abroad sent almost \$2 billion in remittances in 2007. More than half came from Greece.***

The recent economic downturns in Italy and Greece have affected the volume of remittances sent by Albanians to their home country. Total annual remittances in 2008 were EUR 223,244 million, a figure 16 percent lower than in 2007. Average annual remittances per household and average annual remittances per immigrant decreased by 20 percent in 2008, totaling EUR 1160 and EUR 1030, respectively. The decrease in remittances places reliant families in more precarious economic conditions. The Bank of Albania estimates that the contribution of remittances to the average monthly income of Albanian households declined from 35 percent to 31 percent in 2008. As a result, families are choosing to invest less: spending on food and clothing rose from 39 percent in 2007 to 50 percent in 2008, but spending on business and real estate investment fell from 9 percent in 2007 to 3 percent in 2008.<sup>23</sup> It is likely that many households have been deeply affected by the lower levels of remittances, especially because they lack opportunities to make up that deficit in their monthly spending.

**Remittances and the Banking Systems:** Albanian emigrants prefer to send remittances through informal channels. Most remittance senders (77.4 percent) use friends or deliver remittances personally to recipients.<sup>24</sup> The remainder is sent through formal channels, although the banking system is the least preferred option. It is likely that Albanians distrust the banking system, particularly following the crash of the pyramid schemes of the 1990s. Rural Albanians have difficulty accessing banks and lack information regarding financial services.<sup>25</sup> Informal methods of transferring money are strong because Albania's proximity to Greece and Italy allows migrants to carry their remittances home or send it home with one of the numerous of seasonal workers employed in those countries.

Of remittance receivers, 40 percent have bank accounts, while the rest keep their savings informally. There is a higher tendency for remittance recipients living in urban areas to have bank accounts than those living in rural areas. The recipients' propensity to save is substantive, with 66 percent of recipients saving up to 10 percent of remittances.<sup>26</sup>



Source: Data derived from: Orozco, Manuel. "Estimating Global Remittance Flows: A Methodology," Washington, D.C., Inter-American Dialogue, 2007, and Sending Money Home: Worldwide Remittance Flows to Developing Countries, Rome; International Fund for Agricultural Development, 2007.

21 IOM

22 Economic Bulletin (Bank of Albania, 2010) <[http://www.bankofalbania.org/web/Economic\\_Bulletin\\_Volume\\_12\\_no\\_3\\_5674\\_2.php](http://www.bankofalbania.org/web/Economic_Bulletin_Volume_12_no_3_5674_2.php)>.

23 Economic Bulletin (Bank of Albania, 2010) <[http://www.bankofalbania.org/web/Economic\\_Bulletin\\_Volume\\_12\\_no\\_3\\_5674\\_2.php](http://www.bankofalbania.org/web/Economic_Bulletin_Volume_12_no_3_5674_2.php)>.

24 IOM

25 IOM

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## Publications

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