



WORLD BANK GROUP

ALBANIA

Remittances and Payments Program (RPP)*

Draft assessment of the Payment Aspects of Financial Inclusion – preliminary findings

Tirana, May 9, 2017

*RPP is funded by Swiss State Secretariat for Economic Affairs SECO

IN ALBANIA, LESS THAN 40% OF THE ADULT POPULATION HAS ACCESS TO A BANK ACCOUNT*

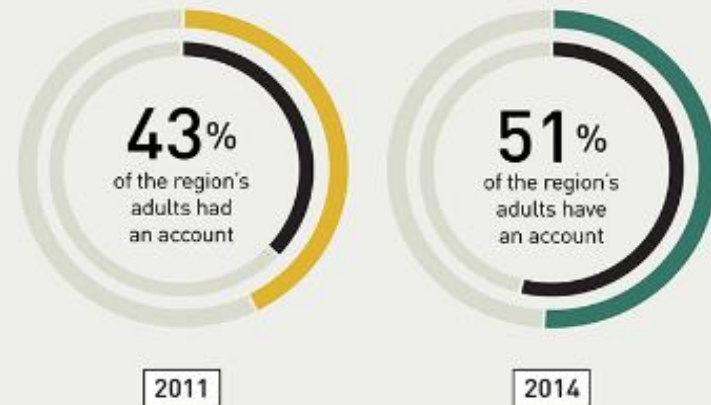
THERE HAS BEEN SIGNIFICANT GROWTH IN FINANCIAL INCLUSION

More adults have an account (with a financial institution or mobile money service) now than three years ago.



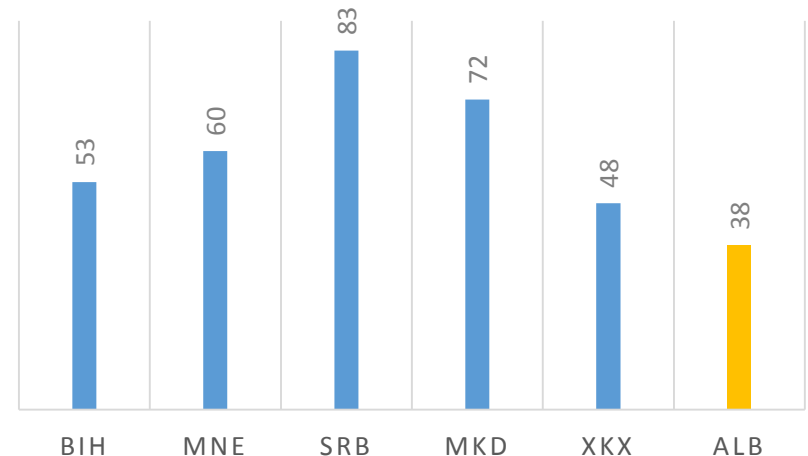
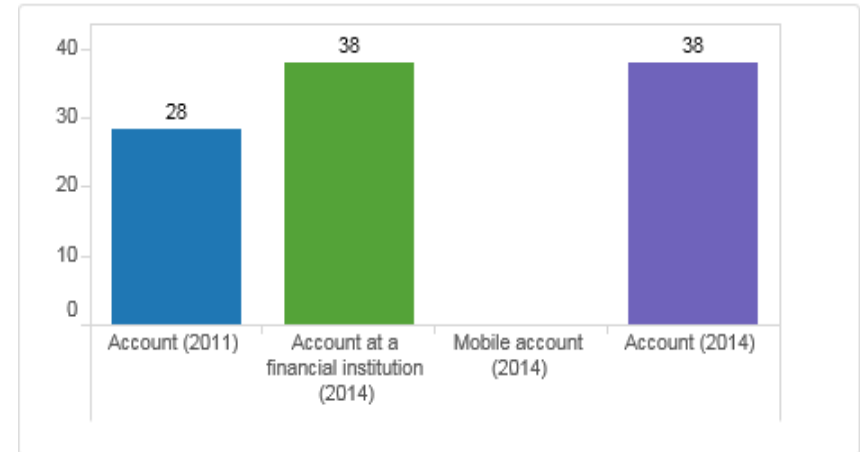
ACCOUNT PENETRATION INCREASED IN EUROPE AND CENTRAL ASIA

A large share of adults in the region make or receive payments digitally.



Account penetration in developing economies overall increased from 41% to 54%.

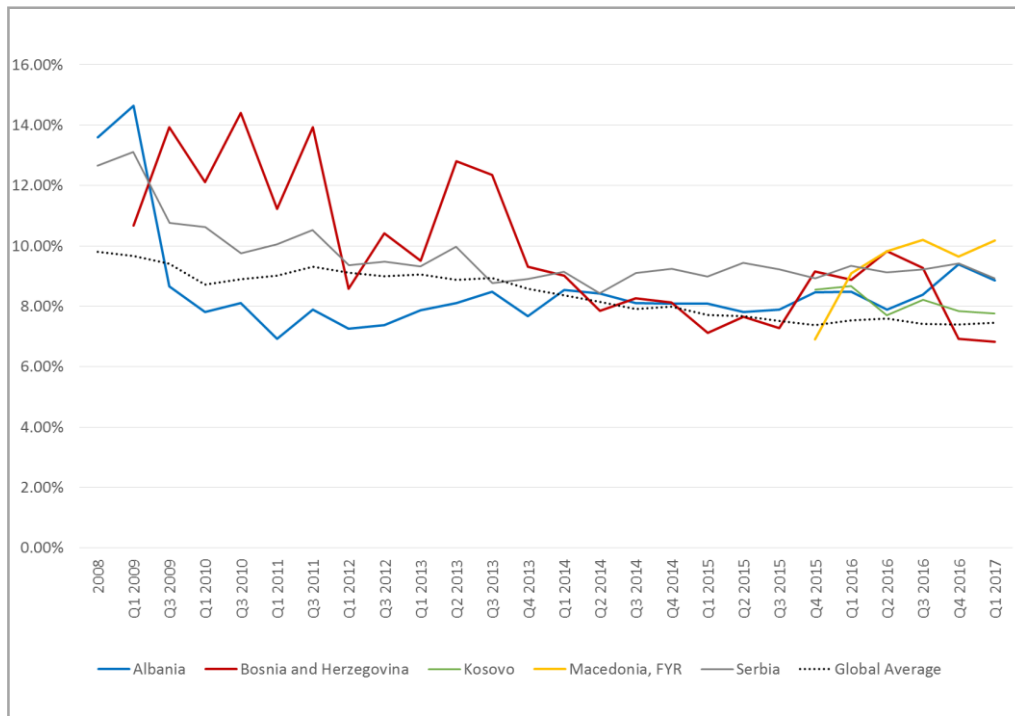
ACCOUNT PENETRATION IN ALBANIA, WESTERN BALKANS (% ADULTS)



*Source: FINDEX 2014

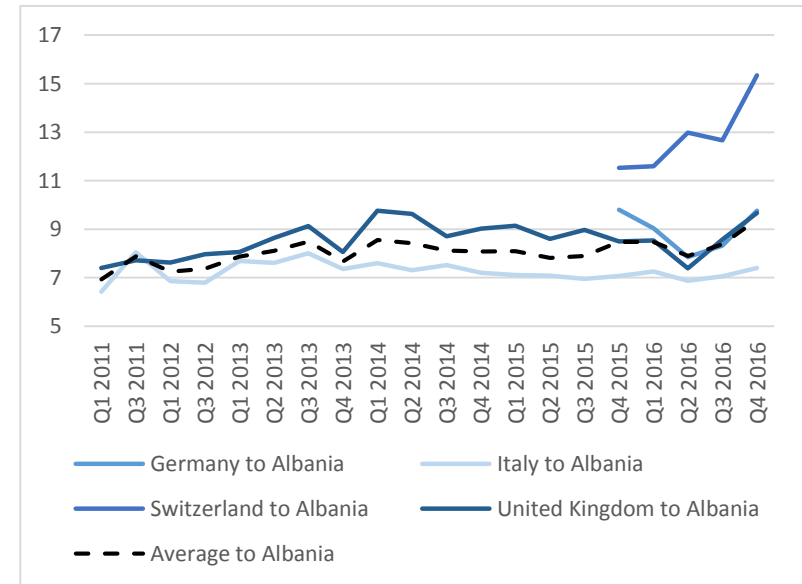
THE COST OF SENDING MONEY TO ALBANIA IS 9.39% OF THE AMOUNT SENT – ABOVE GLOBAL (7.40%) AND REGIONAL (7.25%) AVERAGES*

TRENDS IN AVERAGE COST TO SENDING MONEY TO ALBANIA AND OTHER WESTERN BALKAN COUNTRIES



AVERAGE COST OF SENDING MONEY TO ALBANIA BY CORRIDOR

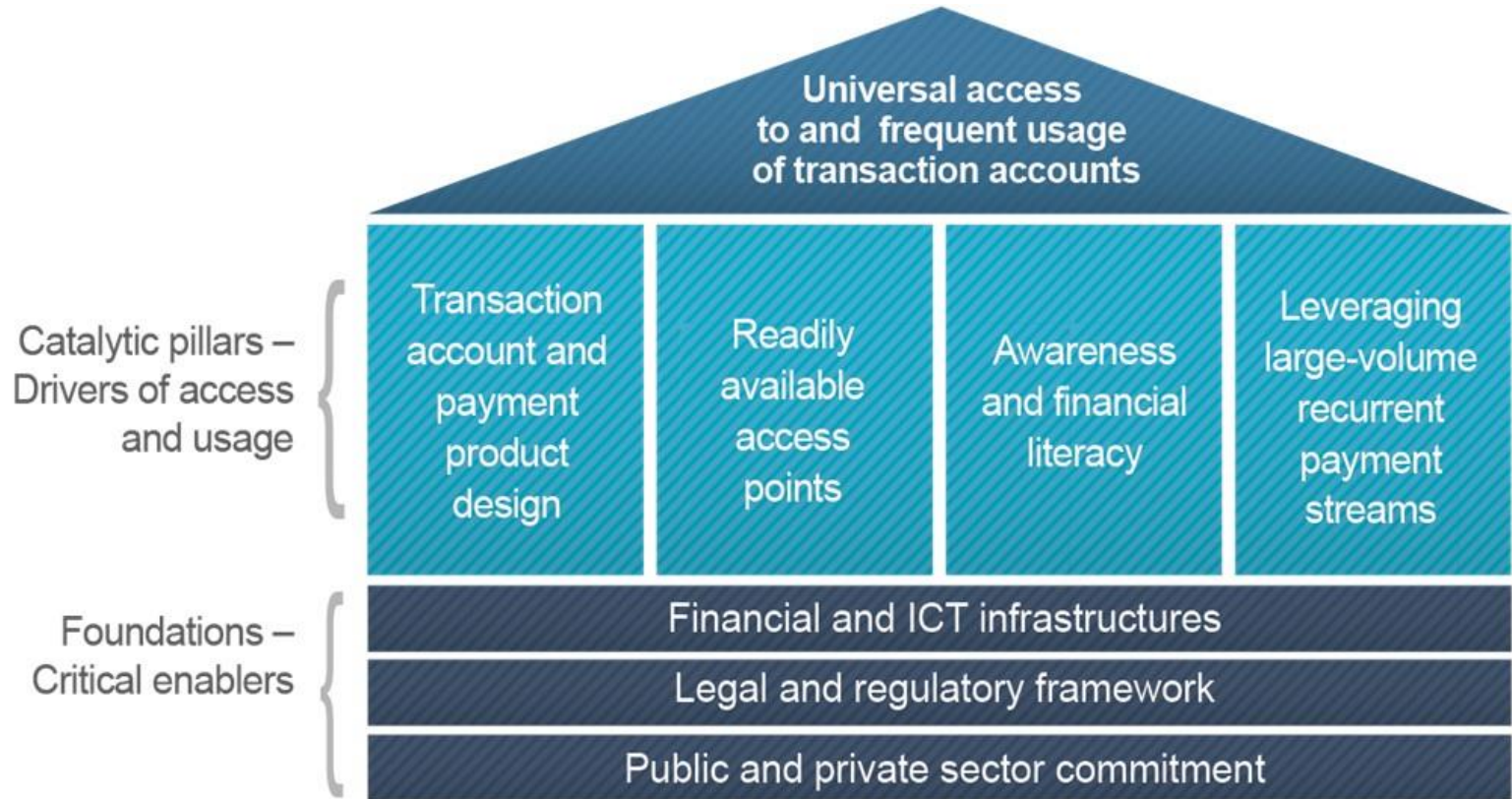
- Most expensive service on the corridor with Switzerland, 24.90 percent; cheapest on the corridor with Italy, 5.36 percent.



- The value of the remittances flows to Albania was estimated at 9.1 percent of the country's GDP for 2015.
- 37% of remittances flows are channeled via unregulated services.

*Source: REMITTANCE PRICES WORLDWIDE

REFERENCE FRAMEWORK: CPMI-WB PAYMENT ASPECTS FOR FINANCIAL INCLUSION REPORT – INTERRELATION OF FOUNDATIONS, CATALYTIC PILLARS, AND EFFECTIVE USAGE



ASSESSMENT OF PAFI FOUNDATIONS



CURRENT STATUS

- **2015 NPSC Mid-Term Strategy** for 2015-2020. Objective number 7 of the Mid-Term Strategy focused on “promoting the use of payment instruments and systems, and expanding financial inclusion”.
- **Digital Agenda Strategy 2015-2020** aims towards a more coordinated and efficient direction of investments in the ICT sector.
- **AAB-led initiatives** to increase awareness, adoption and use of accounts.

MAIN RECOMMENDATIONS

- Albania could benefit from making a **headline financial inclusion commitment**.
- Further, it should put in place a **National Financial Inclusion Strategy** that includes explicit and specific goals and action plans for advancing access to, and usage of, the basic financial services.
- This Strategy must rely on a robust **leadership/coordination structure**. Role of the NPCSC to facilitate cross-sectoral discussion.

ASSESSMENT OF PAFI FOUNDATIONS (cont.)



CURRENT STATUS

- **Legal basis strengthened** with Payment System Law of 2013.
- Banking Law amended to enable provision of **e-money**.
- **NBFIs allowed to provide payment services**, and issue e-money (e-money institutions).
- **Risk-based approach** is used in connection with AML/CFT regulations.

MAIN RECOMMENDATIONS

- **Transposition of EU directives** to ensure a more consistent outcome in terms of non-bank provision of payment service, thus enhancing the level-playing field.
- Improve legal basis of **use of third parties as agents** for banks and **no exclusivity**.
- The **financial consumer protection** legal framework needs to be further elaborated (e.g., dispute resolution), together with stronger enforcement.
- Enhance certainty / confidence on use of **e-evidence** in courts.
- Enhance **BoA oversight powers on payment services**.

ASSESSMENT OF PAFI FOUNDATIONS (cont.)



CURRENT STATUS

- **Core payment infrastructures** operated by the BoA are generally safe and efficient.
- Albania has taken important steps, e.g., the modernization of the **National Civil Status Registry**, the issuance of **smart ID cards**, and by enabling the provision of electronic and remote verification of identity services, currently through **eAleat**.

MAIN RECOMMENDATIONS

- A **domestic infrastructure for card payments** could be useful to the country to reduce processing costs. To realize its potential benefits, governance and sustainability are key.
- **Provide fair & open access** to core payments infrastructure according to risk-based participation criteria.
- While **eAleat Identity Services** is a private venture, it should be operated largely as a **utility**.

ASSESSMENT OF PAFI CATALYTIC PILLARS



- **DIVERSIFY** deposit transaction accounts from both a design and pricing standpoint (e.g., “basic” or “no-frills” accounts, and tiered structure) to **MEET THE NEEDS** of the unbanked and underserved.
- **ACCELERATE** expansion of account access points and improve their distribution, including through **INCREASED INTEROPERABILITY** and **AGENT-BASED** models.
- **LEVERAGE** existing financial literacy efforts by expanding target populations to unbanked / first time users / remittance recipients, and **STRENGTHEN** them through strategic approach and M&E.
- **BROADEN** efforts to channel government payments (including those of local governments) to accounts beyond public sector employees and vendors to include pensioners and the beneficiaries of social programs.
- Introduce **INCENTIVES** for acceptance and usage of electronic payments.
- **INNOVATE** remittance services to increase share of remittances to accounts.

Thank You!



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