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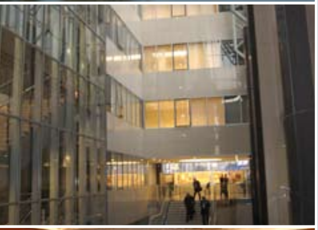


Remittances for Serbia – Migrants as Customers of Financial Institutions

Conference report

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27 March 2009

National Bank of Serbia, Belgrade

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1. Introduction

Transfers of money by migrants to their countries of origin (remittances) are becoming increasingly important in macroeconomic terms. In current times of financial crisis, it is very important for Serbia, too, to make better use of this available capital. As a result of the continuing growth in money transfers by Serbian migrants to their country of origin and their growing importance for the Serbian national economy, the actors in the financial and private sectors have increasingly been paying attention to the potential of the flow of remittances[1]. **The Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ)** in cooperation with the **Frankfurt School of Finance and Management** and the **National Bank of Serbia (NBS)** organised a one-day **conference** in Belgrade on **27th of March 2009** on the topic **"Remittances for Serbia – migrants as customers of financial institutions"**. The focus of this event was on direct exchanges between representatives of the banking sector in Serbia and migrant associations in Germany, as a basis for jointly formulating recommendations for action on this specific transfer channel.

According to World Bank estimates, some USD 4.7 billion flowed to Serbia in 2007 through formal channels. In addition, there are remittances sent to Serbia by informal channels. Surveys of Serbian migrants in Switzerland and Germany have confirmed that **50-80% of remittances travel to Serbia through private routes** whose informal nature involves disadvantages for the Serbian national economy. Serbia's economy loses money which is not available for refinancing and lending, or in the form of foreign currency. As formal transfer channels are not widely used, commercial banks in Serbia lose wealthy customers who are interested not only in money transfers but also in other financial services provided by Serbian banks. **Neither the senders nor the receivers of the remittances come into contact with the commercial banks and their financial services,** from which they could benefit, depending on their needs.

1 In 2007, for example, at the event organised by SECO (http://www.seco-cooperation.admin.ch/themen/entwicklung/00496/00837/index.html?lang=en) or in 2008 at the conference organised by the UNDP and Serbian Ministry for Diaspora (http://www.mzd.sr.gov.yu/Eng/News/NewsDetail.aspx?id=45&cid=664).

The goals of the conference, with papers from research and practice, were to discuss the **impact of remittances on the development of the Serbian economy** and to formulate suggestions for improving options for transferring money to Serbia. In addition, participating banks were encouraged to optimise financial services for Serbian migrants and remittance receivers, and to offer them other attractive financial services as an incentive to bring the money into the formal banking system. The presentations and discussions explored issues of the existing but unused potential of remittances, and obstacles in using and establishing formal transfer channels by commercial banks and Money Transfer Operators (MTOs). Finally, the working groups formulated **recommendations for action** to improve financial services and provision of information, so that formal transfer channels are used more intensively and the needs of migrants and remittance receivers are met.

The conference laid the foundation for future cooperation between development organisations on the one hand and the banking sector in Serbia and migrant organisations in Germany on the other hand.

2. Welcome to conference participants

Wolfram Maas, the ambassador of the Federal Republic of Germany to Serbia, began by acknowledging the contribution of Serbian migrants in Germany to the economic growth and welfare of Germany and Serbia. He noted that migrants are already a major asset to Serbia because of their multilingual abilities and their expertise acquired abroad. In addition, he stressed that the migrants' remittances for real estate construction, education or business start-ups are particularly important for Serbia's economy in times of crisis. Maas continued by observing that the most important political goal of financial and personal assistance to Serbia by the Federal Republic of Germany is to help the country adopt European standards on its way towards EU membership, and to promote the economic welfare of all the people in Serbia. GTZ had made, Maas said, a contribution to this as the organiser of the conference, as had the KfW Entwicklungsbank, through its microcredits to SMEs for energy products and the development of municipal infrastructure. Another particularly important factor for the Serbian banking sector is the creation of a deposit guarantee fund, promoted by KfW. Ambassador Maas emphasised that remittances are an important resource for Serbia's economy, and must be channelled into the Serbian banking sector to help stabilise this further.

For the National Bank of Serbia (NBS), the General Manager of the Economic Analysis and Research Department, **Branko Hinić,** deputised for NBS Governor **Radovan Jelasić**, who was unable to attend the conference due to negotiations at short notice with the IMF. In his welcome speech, he referred to the dual aspect of migration, with migrants settling in their new country of residence while maintaining durable contact with their country of origin. Hinić pointed out that remittances account for a large share of capital inflows, and are important for the Serbian national economy. From the macroeconomic point of view, remittances can contribute towards solving a current account deficit. He welcomed the conference, as information on the problems and dynamic of remittances is particularly important in view of the current global financial crisis.

Regina Bauerochse, head of the GTZ sectoral project on Migration and Development, began by stressing that the conference offered a forum for discussion of the potential of remittances for all the actors involved in the transfers. Migrants and receivers of remittances should be seen as bank customers, and the focus should be on their needs for additional financial services. It is important in this debate to bear in mind that remittances are private funds. The senders and receivers of remittances determine how the funds are used in accordance with their own priorities and desires, and the challenge to the banks is how to respond to the specific needs of migrants for financial services. Given that remittances mostly find their way into the economy of the countries of origin through informal channels, there is still much to do. Mrs. Bauerochse noted that the formal channels "lack appeal for these customers", also as a result of the existing lack of information. To promote the potential of migration and remittances, GTZ in cooperation with Frankfurt School of Finance and Management has developed the service platform www.geldtransfair.de to offer an overview and current information on the services and costs of the various financial service providers for sending and receiving of remittances. At the conference, GTZ is seeking to act as an intermediary and moderator, inviting the commercial banks in Serbia, the NBS, government representatives, migrants' associations and development organisations to engage in a dialogue on remittances. Direct dialogue has the capability to generate new stimulus for the Serbian banking system, with innovative ideas and concrete initiatives for financial products for migrants and remittance receivers, as a way of achieving more intensive use of formal transfer channels and meeting migrants' needs.

3. Importance of remittances for Serbia

Branko Hinić, General Manager of the Economic Analysis and Research Department at the NBS, opened the conference with a paper on the importance of remittances for Serbia, using current figures to illustrate this. He emphasised that of the approximately four million persons of Serbian origin living abroad, only those with commercial or family ties actually sent money back to their country of origin. According to NBS estimates, there were some 550,000 Serbians sending remittances. The inflow of foreign currency to Serbia due to remittances had grown in the past five years to EUR twelve billion, or 9.5% of Serbia's gross domestic product (GDP). This makes the foreign currency inflow from remittances very important for financing Serbia's trade deficit. It also means this inflow roughly matches the inflow of funds in the form of loans, and actually outstrips capital inflows from foreign investment. As remittances are private transfers from abroad to support families in Serbia, they are the most stable and independent source of funds.

However, the long-term significance of remittances for Serbia cannot be clearly determined in macroeconomic terms because the reason for the transfers is the difference in income between the country of origin and the country of residence. Hinić noted that the greater this difference, the greater the relative importance of the remittances for the country of origin. The key question is whether there is any feedback, in the sense that an increase in remittances will diminish this difference. Hinić pointed out that remittances frequently promoted a preference for imported products. For Serbia, this meant that remittances were not only an important source for financing the trade deficit, but also a "factor fuelling the deficit", and only to a lesser extent a factor directly leading to a sustainable rise in the level of real incomes.

Hinić cited the following reasons for the transfer of funds through informal channels: transfer costs, the poorly developed financial infrastructure in areas of Serbia heavily subject to emigration, and the "relative remoteness", i.e. the significance attached to the distance between the country of origin and residence. Although it is not possible to give exact figures for informal money transfers, Hinić stressed that the total for remittances can be reliably documented in the statistics and determined within the framework of the balance of payments. According to NBS figures, over 90% of formal transactions had a value of less than EUR 5,000, with only around 1% exceeding EUR 50,000. However, transactions of more than EUR 50,000 accounted for around 50% of the total value of formal transfers, while transactions below EUR 5,000 accounted for 20%. Assuming that there are no unregistered remittances of more than EUR 50,000, their share of 13.5% in the total value of remittances is relatively high. Based on the data for the last three years, and given the average size of the transactions and their total value, the trend in remittances has apparently remained relatively stable. In 2008 the number of transactions of more than EUR 20,000 declined, while the number of smaller transfers rose. Given real wage increases and growth in Serbia's GDP, remittances would decline.

Noting the countercyclical relationship between remittances and income and GDP, Hinić pointed out that remittances would not boost Serbia's economic growth. Any cost-benefit analysis should also take into account the loss of skilled labour through migration. In closing, Hinić reviewed the challenges the global financial crisis pose to Serbia with regard to the flow of remittances. As the crisis is making itself felt in both the countries of origin and countries of residence of the migrants, rising unemployment among migrants or a decline in their incomes could adversely affect remittances. The associated reduction in the options to redress the trade deficit in the countries of origin could threaten international trade, prolonging the duration of the economic crisis.

Beatrice Meyer, Country Director of the Swiss State Secretariat for Economic Affairs (SECO), spoke about the Swiss-Serbian remittances corridor, and presented the results of a study commissioned by the SECO which was carried out in 2006 in cooperation with the European Bank for Reconstruction and Development (EBRD), the Swiss Forum for Migration and Population Studies (SFM) and the International Organisation for Migration (IOM).

She explained that the study was intended to enhance the effect of remittances on development. As a result, the study covered not only the volume of funds sent from Switzerland to Serbia, but also the channels used, costs and risks, and the use of the funds by receivers. Finally, the study explored the macroeconomic effects of remittances, their importance to the financial sector, and the legislative obstacles. The study is based on interviews with 343 households in two rural areas of Serbia, and 600 interviews with Serbian households in Switzerland. In addition, interviews were carried out with key individuals in the banking sector, financial institutions, government, diaspora and focus groups, and with specific companies in Switzerland and Belgrade.

There are some 186,000 Serbs living in Switzerland, "a well established and highly organised diaspora", as Meyer observed. According to the study, 75% of the Serbian households interviewed in Switzerland sent money or goods to their relatives in Serbia in the twelve months before the interview. The average household sent EUR 3,000 a year to Serbia from Switzerland, for a total of approx. CHF 60 million. Meyer emphasised that 80% of the remittances are sent through informal channels. The money was mostly sent with an individual, i.e. friends and acquaintances (80%), coach drivers (15%) or by registered letter (5%). Meyer explained that informal transfers are appealing to migrants because they are "simple, reliable and cheap".

Only 20% of respondents transfer money through formal channels, mostly banks (70%), Western Union (20%) and Swiss post offices (10%). Reasons for rejecting formal money transfers were the lack of confidence in the Serbian banking sector, the geographical proximity of Switzerland and Serbia, the high transaction costs, and the period of two to five days needed for the transfer, which is seen as too long. Meyer emphasised that the remittances are used mainly to cover basic needs, with less than 10% invested. Most of the money is invested in real estate or agricultural production. For many households in Serbia, the remittances are an important and stable source of income. In future, however, the level of remittances could decline, as the second generation of migrants would be less inclined to send money. This expected trend would be further strengthened by a decline in migration from Serbia to Switzerland.

Meyer noted that Serbia has a modern financial infrastructure, with a high quality payments system. The bank branch networks cover the rural area as well, and opening a foreign exchange account is simple and inexpensive. The great majority of the financial institutions are owned by foreign banks. The problems in the financial sector where remittances are concerned are due to the lack of partnerships between banks in Serbia and banks in the countries of residence to ensure the direct transfer of funds. MTOs in Serbia are also legally obliged to handle transfers through banks, which they organised through exclusive agreements with the banks. The lack of competition in the money transfer business is responsible for high transfer costs and delays in transfers. On the receiver size, there is a lack of interest in the financial services of the banks, and the banks are lacking in marketing and cross-selling other financial services for the target groups of remittance senders and receivers. The microfinance sector also lacked a supporting legislative framework.

To boost the efficiency of the transfer system and reduce transfer costs, SECO is currently publishing an information brochure on formal transfer options for the whole diaspora, including editions in their first languages.

Efforts are also being made to establish partnerships between the financial institutions in Switzerland and Serbia, although these have been without success in the last two years, as Meyer regretfully reported. The reason for this is the lack of interest among Swiss commercial banks in the money transfer business due to the lack of a retail banking business in Serbia, risk aversion, and other priorities in a time of financial crisis. To promote the effect on development of remittances to Serbia, however, the SECO is ready to support regulatory reforms, assist banks in developing savings and investment products, promote investment of remittances in existing projects for private sector development, and incorporate the issue of remittances in bilateral migration management projects.

4. Financial services: availability and need

Andrea Riester, staff member in the GTZ Sector Project on Migration and Development, addressed the needs of Serbian migrants in Germany for financial services offered by banks in Serbia, and presented the central results of a study commissioned by GTZ. By way of introduction, she described the long history of Serbian migration to Germany, reminding the audience that the first Serbian migrant workers came to Germany in the 1960s. Currently, there are over 700,000 people with a Serbian migration background living in the Federal Republic of Germany, and many of the former guest workers are already drawing retirement pensions or are just short of retirement.

According to the GTZ study **Needs of Serbian migrants in Germany for financial services in Serbia**, 88% of respondents transfer money to Serbia, 81% own a house or an apartment there, and 63% are considering retiring in Serbia. These figures show strong ties with the country of origin. Riester explained that Serbian migrants, and particularly the former guest workers, should be regarded as "potent(ial) bank customers" because of their willingness to return to Serbia. However, there is a gap between the financial needs of migrants associated with their desire to return and the existing financial services offered by banks in Serbia. 50% of Serbian migrants interviewed had a bank account in Serbia, but the balances in their savings accounts there were small, despite high interest rates. While the majority would be happy to retire in Serbia, they reported that it was difficult to obtain financial services and advice from Serbian banks for making plans to return. There is strong demand for remittances transfers, but over 50% of these are transferred through informal channels. For banks in Serbia to attract migrants as customers, it is necessary to understand their specific needs for services and information. Riester identified six central needs of Serbian migrants in Germany: fast money transfers at lower prices, the possibility of online banking, savings plans for health care and old age after return, financial products for buying real estate, loans for business start-ups and businesses, and more advice and information abroad on the products of Serbian banks.

Riester summed up by saying that there was considerable demand among Serbian migrants in Germany for financial services from banks in Serbia. However, migrants wanted Serbian banks to have a stronger presence in the countries of residence, an easier and a more transparent money transfer system, products which reflect the migrants' situation in life, cooperation with German banks, sponsorship and advertising in sports clubs, more information and advertising about financial services and products offered. Banks in Serbia must now "win Serbian migrants over". In closing, Riester emphasised that GTZ is very interested in assisting Serbian banks in developing products or information campaigns to cover the needs of Serbian migrants.

Elizabeth Holmes of Frankfurt School of Finance and Management presented "good practices" for financial services by banks to remittances senders and receivers. She emphasised that migrants and remittance receivers would not differ significantly from the average bank customer in their need for financial services. Relevant financial products would accordingly be loans, savings accounts, time deposits, ATM and credit cards, insurance policies, investment advice and online banking. The only difference from domestic needs would be the demand for international money transfer services.

However, the key difference between migrants and the average bank customer would be in the access to financial products, provision of information and marketing access to the target customers by the banks in Serbia. Holmes illustrated this with two websites of microbanks in Bolivia and Kenya, to show how financial services can be offered through portals conceived specifically for migrants abroad. Both banks target potential customers abroad through their websites, providing relevant information and offering an advisor to contact with queries. On the Philippine National Bank website remittance senders are provided with a search engine giving them an overview of all the available services for transferring money from abroad to the Philippines. These include fast "door to door" transfers and cell phone transfers.

To formulate best practices for banks in Serbia for financial services for migrants, information is needed about both the migrant population (migration reasons and patterns, social structure, geographical distribution) and the statutory regulations governing the financial sectors in the country of origin and residence. Holmes accordingly cited a number of key aspects from a study by the Frankfurt School of Finance and Management on the Austrian-Serbian transfer corridor. These show that – in contrast to many Philippine migrant workers for example – Serbian migrants are permanent residents abroad, rather than temporary residents. The geographical proximity to the most important destination countries, e.g. Germany, Austria and Switzerland, also encourages informal money transfers. The lack of confidence in government institutions and the financial sector also constrains formal money transfers. While pointing to the healthy state of Serbia's financial sector, Holmes noted that the strict regulations in the sector make money transfers by cell phone and loan costing based on remittances virtually impossible. Particularly striking is the lack of awareness and discussion of remittances among the various interest groups. However, Holmes also stressed that international examples cannot be simply replicated, and that financial services for Serbian migrants and remittance receivers need to be customised for the specific conditions of the Serbian market.

In conclusion, Holmes listed the challenges and potential for the financial services market in Serbia with regard to Serbian migrants. The lack of knowledge of financial services among migrants can be countered by a broad-based information and marketing campaign. The existing well-developed financial services market can utilise its cross-selling potential to develop new products and marketing measures, and to offer investment opportunities to migrants. It is ultimately the presence of foreign banks in both the country of origin and residence that ensures a high degree of potential for expanding the financial services market for both senders and receivers.

Marko Popović, Regional Director of ProCredit Bank, talked about money transfers to Serbia, and presented the diaspora in terms of customers of the ProCredit Bank. Money transfers from abroad by private persons total EUR 50-60 million, with 94% taking the form of transfers of EUR 5,000 or less. Money transfers are spent very quickly on consumption. Popović confirmed that the diaspora is also interested in financial services for investment and savings deposits, because of the high interest rates. Even so, many migrants still lack sufficient confidence in the banks in Serbia, because of negative experience in the past when their savings were lost in Yugoslavian banks. This makes it "still difficult to get close to Serbs abroad", according to Popović.

ProCredit Bank is building more branches in the region, e.g. in Bosnia and Herzegovina, Albania, Rumania and Bulgaria to promote money transfers from abroad. Popović is also confident of a positive stimulus from the internal transfer system ProPay, which enables ProCredit Bank customers to transfer money to Serbia within three hours and is free for receivers. However, he did point out that there is little scope for increasing the development impact of remittances, as receivers spend transferred funds quickly and Serbs abroad spend 90% of their salaries in the country of residence. Efforts must be focused on solving the problem of informal transfer.

Money transfers through ProCredit in cooperation with Western Union are relatively small, mostly between EUR 350-400. However, many Serbs often have to transfer money through Western Union because they often do not have the opportunity to open a bank account in Germany. While the flow of remittances through ProCredit Bank has risen by EUR 5-6 million in the past three years, Popović reported that the financial and economic crisis is gradually being reflected in migrants' money transfers. At ProCredit, for example, the average transfer has fallen from EUR 2,000 to EUR 1,600 per transaction.

Another problem Popović cited is access to the target group. As ProCredit Bank does not have a branch office in Germany, it is difficult to reach migrants. The banks' reservations about this target group can be described as follows: the market is too small and transaction costs are too high for the development of infrastructure to be profitable. Migrants have not been reached because the banks do not recognise them as a target group for cross-selling. "Where potential customers abroad are concerned, our access is very limited", Popović said. ProCredit Bank is trying to reach migrants directly during their visits back home, e.g. on "Diaspora Day" or with promotional campaigns at their homes in Serbia. ProCredit will also offer customers abroad easier access to their accounts in Serbia through e-banking. Access to customers receiving remittances is considerably easier, Popović stressed. For the banks, remittance receivers are an important target group, and ProCredit Bank is already offering numerous financial services specifically for this group. Experience shows that up to 70% of received remittances is spent directly, e.g. to settle bills. Popović felt it was desirable for banks in the country of residence and origin to cooperate, and address migrants as a target group jointly. However, Popović also pointed out that foreign banks have different priorities to banks in Serbia. He emphasised that the Serbian banks are ideally prepared to receive remittances, while the problem lies with the banks in the remitting countries. From his own personal and professional experience in Germany, he knew that there are migrants who have major difficulties with banks in their country of residence because of language problems, their residence status and their ignorance of financial matters. Popović accordingly stressed the importance of the readiness of banks in the sender countries to approach migrants as a target group and seek cooperation with banks in Serbia to facilitate money transfers. In summary, Marko Popović pointed out that there are many ways to promote the development impact of remittances, primarily through cooperation between banks. However, the government and NBS are also called on to simplify the statutory framework for remittances and

facilitate bilateral cooperation between Serbia and the migrants' countries of residence .

The representative of Hypo Alpe Adria Bank, **Vesna Đorđević**, described the NBS's decisions on regulations for private transfers from abroad, and welcomed the significant liberalisation of the statutory framework. In contrast to the majority of conference participants in the subsequent discussion, she argued that the Money Laundering Act does not pose any obstacle to the transfer of remittances to individuals in Serbia.

Remittances have great potential, and the banking sector in Serbia is well-positioned for future growth in this area with strategic partnerships in the EU member states of Austria, Italy, France and Greece. The obstacles facing banks in dealing with remittances are the informal channels and the lack of information among remittance senders. Uncertainty about the continuity and amount of money transfers would also make it difficult to consider remittances as a factor in individual credit ratings.

According to Hypo Alpe Adria statistics, transfers by private persons accounted for 19% of total transactions, with a share of 30% in transfer deposits and around 9% in payments. Over 41% of deposits from abroad can be described as remittances, and the most important sender countries are Austria, the Republic of Srpska, Slovenia, Germany and Montenegro. Hypo Alpe Adria has introduced the product "intragroup payments" for the group of remittances customers, covering all the countries where Hypo Alpe Adria is represented (Austria, Slovenia, Croatia, Bosnia and Herzegovina, the Republic of Srpska, Montenegro and Italy). In addition, Đorđević explained, all the bank's standard products are also offered in all these countries. For the future, great potential for development is seen in cooperation with the telecommunications sector. More intensive cooperation is also planned with the Bayrische Landesbank (67% shareholder) to ensure fast and efficient transfers through banking channels for the Serbian diaspora in Germany, Hungary, Rumania and Bulgaria.

5. Discussion

The discussion opened with a reference to the inexpensive money transfers through Komercijalna Banka. Thanks to a branch office in Frankfurt and the possibilities of the internet, money can be transferred to Serbia without difficulty from Germany and anywhere in the EU. The customer only needs to send an email to the branch office in Frankfurt, complete a form, and can then transfer money from his or her bank account to Serbia within two to four days. The transfer costs are also very moderate, between EUR five to nine depending on the amount transferred. However, this initiative is the exception, and generally far too little is being done in Serbia to improve the quality of money transfers from abroad. It is striking that it has taken development policy initiatives such as this conference organised by GTZ, studies by SECO, World Bank and Österreichische Entwicklungsbank AG to put remittances to Serbia on the agenda.

Many participants felt there will be no inexpensive money transfers while there continue to be monopolistic structures in the money transfer market. 32 banks in Serbia have signed exclusive contracts with Western Union, which is significantly more expensive in comparison with other MTOs. By easing statutory regulations, the NBS could “motivate” the commercial banks to become more involved in this area. Representatives of the commercial banks described the problems their respective institutes are currently facing when processing money transfers from abroad. The obligation to report all transactions is perceived as excessive bureaucracy, particularly for small amounts. If the SWIFT form does not include a code, the banks have to ask the customer or receiver the purpose of the payment. This procedure often poses a problem, as the customer or receiver must state the purpose of the payment and sign a form. Many customers are annoyed and worried by this procedure, and in several cases the money had actually been returned. Speakers called for a relaxation of reporting requirements for foreign transfers, or harmonisation with the requirements in the EU countries. They also called for the payment of remittances to be simplified, for example as a service at currency exchange offices. Many migrants are not familiar with email money transfers, so that personal contact is still important.

The question of the migrants’ level of education in financial matters was hotly debated by conference participants. Age, migration history and education are important characteristics which determine the use of information sources and money transfer channels. However, several participants argued that the discussion was too focused on migrants with low qualifications and that many Serbs also have their own businesses in Germany. They called on participants to include this target group and their needs in their considerations.

With their long immigration record, many Serbian migrants are very well-integrated into German society, have a high income and for instance need investment advice in Serbia.

Representatives of migrant organisations in Germany emphasised that money transfers by migrants "are also an important factor for social peace in the country". They called on all those involved, particularly political actors, to give greater priority to the issue of remittances, to provide the diaspora with better information, and to take measures to restore migrants' confidence in financial institutions. Participants recalled the situation under the former Yugoslavia, when almost all Yugoslavian banks had branch offices abroad, and money transfers functioned well because "there was intensive contact between banks and migrants". They noted that money transferred to support a family abroad was tax-deductible. However, Serbian migrants can make little use of this if they are unable to submit any vouchers to the tax authorities, because of their use of informal transfer channels. A great deal of work is still needed in Germany to educate this public, which could be done through the migrants' own organisations, through which commercial banks could also reach a wide public, e.g. by sponsoring events.

The discussion also looked at the additional needs of migrants for other financial services of banks in Serbia. Banks could benefit from this target group by selling additional financial products and attracting migrants and remittance receivers as customers. Banks based in the country of residence should also adapt to the needs of the migrants, in order to guide money transfers into the formal channels of the Serbian banking sector. One example given was the way in which British banks had responded very quickly to the influx of Polish migrants by setting up special counters with Polish-speaking staff.

One participant referred to the conference organised in 2008 by UNDP and the Ministry for Diaspora on the role of the diaspora in Serbia's development. At that conference, the discussion covered the issue of economic relationships, the question of the identity of Serbs abroad and communication with them, and the legislation needed to deal with the Serbian diaspora. This was not only a question of the relationship between banks and their customers, but also of nurturing relationships with one's own citizens abroad. For remittances, both the political and the investment climate in the country of origin played a decisive role. Political actors should recognise the diaspora's contribution to Serbia's development, financial institutions must take measures to build confidence, banks should become more involved in the money transfer business and offer more financial products. The financial education of migrants and remittance receivers must be promoted, and information on available products and services communicated better. Collection and analysis of data on remittances are essential in order to support a policy aimed at maximising the development impact of remittances.

6. Conclusions

The conference showed clearly that the relevance and potential of remittances for Serbia require concerted efforts by all the actors involved. The conference organised by GTZ, Frankfurt School of Finance and Management and the National Bank of Serbia offered all relevant actors for the first time an opportunity to jointly discuss the problems and potential of formal money transfers as well as the needs of migrants. It also provided the opportunity to rasie public awareness for the significance of remittances for the Serbian society as a whole. **The development and migrant organisations are important intermediaries for disseminating information on money transfer options and financial services in Serbia among migrants and remittance receivers.** The first step is to develop appropriate information and training services and identify channels for disseminating such information.

However, remittance transfers to Serbia also require further efforts by the relevant actors in Serbia. The joint discussion initiated on the **potential of remittances** should be continued, to **achieve the goal of optimising their development impact for Serbia** and improving money transfer options and financial services for migrants.

7. Appendix

a) Topics and results for working groups

Conference participants explored the following issues in working groups.

1) Why are migrants not using formal channels for **money transfers**? What incentives need to be offered and what measures taken to promote more intensive use of formal transfer channels – and who should do this?

2) What **financial services** do migrants and remittance receivers need? What are the problems in implementation? What recommendations for action are there?

The following tables show an overview of the recommendations for action of the working groups.

1) Money transfers

Obstacles to and deficiencies in the formal transfer system	Recommendations for action to promote more intensive use of formal transfer channels
High transfer costs, time needed for transfer	**National Bank of Serbia:** • Relax reporting requirements for remittances **Commercial banks:** • Cooperation between commercial banks in Serbia and the countries of residence • Open branch offices in the countries of residence
Custom of transferring money informally	**Banks and development organisations:** • Educate public on importance of formal money transfers
Lack of confidence in banking system among customers	**Government agencies and commercial banks:** • Carry out confidence-building measures
Lack of information among migrants	**Commercial banks:** • Migrants must be recognised as target groups and services offered appropriately, e.g. by bank staff able to advise in the language of primary use • More information and education of low-cost transfer options and other financial services must be offered at both ends – in Serbia and the countries of residence • Customised advisory services • Cross-selling of special products • Development of marketing strategies for migrants and remittance receivers **Development organisations:** • Information on financial questions should be offered within the framework of cooperation with the diaspora
Lack of competition in the money transfer market	**National Bank of Serbia:** • More licences should be issued to operate in the money transfer business, e.g. to currency exchange offices, which are widespread and easily reached in Serbia. • Reporting requirements should be simplified to reduce the costs to banks of the money transfer business.
Lack of cooperation between actors involved	**Serbian Government:** • An action plan should encourage all relevant actors, i.e. the Ministry for Diaspora, Ministry of Finance, National Bank of Serbia and the commercial banks, to adopt a joint strategy to promote formal money transfer with the involvement of the diaspora.

2) Financial services

Needs of migrants and remittance receivers for financial services from banks in Serbia	Recommendations for action
Financial products: • Transferring pensions • Savings accounts • Loans with possibility of repayment through remittances • Bank cards • Investment and pension funds • Insurance • Online and telephone banking • Loans for SMEs	**Identification of target group, contact:** • Information on social structure, geographical distribution, different migrant groups and types • Contact through migrant organisations • Confidence-building measures **Information campaigns:** • Tailored to different migrant groups and types • Marketing by domestic and foreign banks • Dissemination of information by political institutions, Ministry for Diaspora and development organisations • Customer-oriented advice in Serbia and abroad • Promotion of financial training • Cross-selling financial products to customers making money transfers

b) Conference participants:

Agaliotisa, Constantinos | Alpha Bank Belgrade
Aleksić, Stojanka | Serbian Council of Germany
Bauerochse, Regina | Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH
Becker, Torsten | Frankfurt School of Finance and Management
Čobanov, Milan | Serbian Council of Germany
Čolanović, Vesna | Komercijalna Banka AD Belgrade
Ćorović, Vesna | Eurobank EFG
Dorđević, Vesna | Hypo-Alpe-Adria Bank Serbia
Djordjević, Olivera | Banca Intesa
Djordjević, Vladimir | VISA International
Dragović, Veljko | Yassa Line – MoneyGram International Serbia
Drašković, Slavka | Kongres Srpskog Ujedinjenja
Drinjaković, Darko | Privredna Banka Belgrade
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Dubovac Pavlović Vanka | Ministry for the Diaspora
Gilmer, Imke | Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH
Hadžić, Dejan | Ministry of Finance, Development and Aid Coordination Unit
Haidenthaler, Andreas | Trade Delegate for Serbia, Macedonia and Montenegro
Hellstern, Elke | KfW Bankengruppe
Hinić, Branko | National Bank of Serbia
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Jokanović Tatjana | Ministry for the Diaspora
Kapper, Klaus | Austrian Development Agency
Karić, Gordana | Raiffeisen Bank Serbia
Klitzing, Karl von | European Bank for Reconstruction and Development
Kovačević, Aleksandar | World Bank consultant
Kremer, Dragan | West Balkan & Roma Media Programs
Maas, Wolfram | Ambassador of the Federal Republic of Germany
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Marković, Vladimir | Eurobank EFG
Meyer, Beatrice | Swiss State Secretariat of Economic Affairs SECO
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Pavlović, Anđela | International Labour Organisation
Paunović Vesna | International Organisation for Migration
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Savić, Biljana | National Bank of Serbia
Šošević, Zvonko, Ministry for Diaspora
Spanković Mirko | Hypo Alpe Adria Bank
Stojković, Maja | Société Générale
Vilhar, Tamara | Vipmobile d.o.o.
Živković, Vesna | Yassa Line – MoneyGram International Serbia

c) Links to the participating organisations and institutions:

Alpha Bank Belgrade: **www.alphabankserbia.com**

Austrian Development Agency: **www.ada.gv.at**

Banca Intesa Belgrade: **www.bancaintesabeograd.com**

Embassy of Federal Republic of Germany in Serbia: **www.belgrad.diplo.de**

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH:
www.gtz.de/migrationdevelopment.de

Eurobank EFG: **www.eurobankefg.rs**

Frankfurt School of Finance & Management: **www.frankfurt-school.de**

Hypo-Alpe Adria Bank Serbia: **www.hypo-alpe-adria.rs**

International Labour Organisation: **www.ilo.org**

KfW Bankengruppe: **www.kfw.de**

Komercijalna banka AD Belgrade: **www.kombank.com**

Ministry of Finance of the Republic of Serbia **www.mfin.sr.gov.yu**

Ministry for Diaspora of the Republic of Serbia: **www.mzd.sr.gov.yu**

MoneyGram International: **www.moneygram.com**

Privredna Banka Belgrade: **www.pbb-banka.com**

ProCredit Bank Serbia: **www.procreditbank.rs**

Raiffeisen Bank Serbia: **www.raiffeisenbank.rs**

Swiss State Secretariat of Economic Affairs SECO: **www.seco.admin.ch**

Serbian Unity Congress: **www.serbianunity.net**

Société Générale: **www.sgcib.com**

UniCredit Bank: **www.unicreditbank.rs**

United Nations Development Programme: **www.undp.org**

Vipmobile d.o.o.: **www.vipmobile.rs**

VISA International: **www.visacemea.com**

Volksbank Serbia: **www.volksbank.rs**

National Bank of Serbia: **www.nbs.rs**

Serbian Council of Germany: **www.zentralrat-der-serben.de**

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