

Forum 2015

DIASPORA AND MIGRATION POLICIES

This study is prepared for Forum 2015 by Riinvest Institute based on the research conducted in Kosovo, Germany, Switzerland, Belgium, UK, Sweden, Austria and The USA

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Authors:

Muhamet Mustafa
Mrika Kotorri
Petrit Gashi
Ardiana Gashi
Venera Demukaj

Survey and Focus Group Discussions Team:

Ymer Havolli
Afërdita Berisha
Saxhide Mustafa
Durim Hoxha
Valza Kika
Arian Shala

Consultants:

Richard Beilock, University of Florida University, USA
Muhamet Sadiku, Riinvest
Ken Jackson, Auckland University, New Zealand
Rifat Blaku, University of Prishtina

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CONTENT

7 EXECUTIVE SUMMARY

11 RECOMMENDATIONS

13 INTRODUCTION

15 DIASPORA AND REMITTANCES – POTENTIAL IMPACTS ON THE ECONOMY OF KOSOVA

- An Overview Of The Developmental Effects Of Diaspora And Remittances
- The Positive Implications Of Diaspora And Remittances
- Disadvantages Of Diaspora And Remittances
- Experiences Of Other Countries With Diaspora And Remittances

27 KOSOVAN DIASPORA – SOCIO-ECONOMIC PROFILE AND ITS IMPORTANCE

- Historical Background On Kosovar Migration
- The Demographic And Socio-economic Profile Of The Kosovar Diaspora
- Status And Other Conditions In Adopted Countries
- Country Of Residence
- Legal Status In The Host Country
- Plans To Return
- Economic Conditions Of Emigrants
- Employment
- Income

35 CURRENT AND POTENTIAL ECONOMIC IMPACT OF DIASPORA

- Remittances And Other Form Of Direct Impact
- Measuring Remittances And Other Contributions
- Critical Importance Of Remittances For Kosova Households
- Remittances And Poverty Alleviation
- Diaspora Investments, Current Situation And Potentials
- Remittances And Poverty Alleviation
- Diaspora Investments, Current Situation And Potentials
- Property, Business And Other Assets In Kosova

49 INSTITUTIONAL ASPECTS AND LINKAGES WITH AND WITHIN DIASPORA

- Linkages With Families
- Communication With And Support From Kosovar Authorities
- Problem Areas
- Administration Actions To Address The Concerns Of The Diaspora
- Education
- Diaspora Organization And Political Fragmentation
- Involvement In Development Of Governance In Kosova
- Diaspora Communities
- Towards Building Active Emigration Policies
- Emigration Potential
- Active Migration Policies Toward Eu Labor Market

ANNEXES:

Annex 1: Extracts From Focus Group Discussions

Lack Of A Consistent Policies And Organization Of Diaspora
Remittances, Their Trend And Perspective
Business Networks
Institutions And Broken Ties With Kosova
Diaspora Tourism
Businesses And Communication
Law Enforcement And Corruption
Kosova's Image

Annex 2: Interviews With Diaspora Investors

Company 1: Trofta
Company 2: Kosova Steel
Company 3: Kombinati I Drurit (Wood Combine)
A Potential Investor from the Diaspora, but Reluctant to Invest in Kosova

BIBLIOGRAPHY

ABOUT FORUM 2015

LIST OF ACRONYMS AND ABBREVIATIONS

BTD - Balkan Trust for Democracy
CBAK – Central Banking Authority of Kosova
CPI – Consumer Price Index
ECA – Europe and Central Asia
EU – European Union
EWR – Early Warning Report
FDI – Foreign Direct Investment
GDP – Gross Domestic Product
IBRD – International Bank for reconstruction and Development
ICT - Information and Communications Technology
IMF – International Monetary Fund
IT – Information Technology
KFOS – Kosova Foundation for Open Society
KTA - Kosova Trust Agency
NGO – Non-Governmental Organizations
OECD – Organization for Economic Cooperation and Development
SOK – Statistical Office of Kosova
UK - United Kingdom
USA – United States of America
WB – World Bank

LIST OF TABLES

Table 1: Main Macroeconomic Indicators In Kosova (2005 – 2007)
Table 2: The Distribution Of Emigrants By Host Country
Table 3: Legal Status In The Host Country
Table 4: Employment By Host Country
Table 5: Employment By Sector
Table 6: Level Of Employment
Table 7: Share Of Emigrants By Monthly Income Intervals
Table 8: The Number And The Frequency Of Kosovar Emigrants Remitting
Table 9: The Frequency Of Remitting
Table 10: The Amounts Remitted By The Kosovar Diaspora
Table 11: Estimation Of Financial And In-kind Inflows From The Diaspora:Kosova, 2007
Table 12: How Often Do They Visit Kosova?
Table 13: Percentage Of Total Remittances Received By Income Interval
Table 14: Have You Invested In A Business Or Infrastructure In Kosova?
Table 15: Reasons For Not Planning To Invest In Kosova
Table 16: Problems Faced By The Diaspora With Kosovar Institutions
Table 17: Diaspora Opinions Regarding Diaspora Organizations
Table 18: Primary Reasons For Wishing To Emigrate
Table 19: Intended Destinations Of Those Intending To Emigrate

LIST OF FIGURES

Figure 1: Remittances As A Share Of Gdp In Transition Countries, 2004
Figure 2: The Economic Impacts Of Diaspora And Circular Migrants On The Country Of Origin
Figure 3: Comparison Of The Expenditure Pattern Of Remittances In 6 Eca Countries And Kosova
Figure 4: The Expenditure Pattern Of Remittances

LIST OF BOXES

Box 1: Serbian Kosovar Diaspora
Box 2: The Diaspora And Its Discontent
Box 3: Teacher

EXECUTIVE SUMMARY

Establishing appropriate policies regarding emigration and the status of the Kosovar Diaspora are of key importance for stimulating growth reducing macro-economic imbalances in Kosova. With appropriate policies and incentives, the Diaspora could contribute more effectively, both in terms of human capital and financial resources, to economic growth and job creation in Kosova. This report provides information about the Diaspora and highlights challenges and opportunities for improving the Diaspora's participation in Kosova's economic and social advancement. Among the areas addressed are: the size and socio-economic profile of the Diaspora; current contribution through remittances, investment, contributions in kind, Diaspora "tourism"; organization of Kosovar institutions vis-à-vis the Diaspora and the extent to which they address their needs and interests; which policies should be implemented to increase the positive impacts of social, human and financial contributions of the Diaspora; and appropriate emigration policies that would be consistent with current socio-economic conditions as well as with expected developments in the EU integration processes and EU labour market.

Research undertaken to develop this report included: a survey of 1,091 visitors to Kosova randomly selected at the cross border points; a survey of 1,537 households (including 200 Serbian households) in Kosova; 12 focus group discussions with members of the Diaspora (91 participants) in Germany, Switzerland, Belgium, UK, Sweden, Austria, and the USA (households heads, businesspersons, and intellectuals); and in-depth interviews with officials at relevant Kosovar institutions and Diaspora investors. Recent evidence in the literature that addresses these issues was also reviewed.

The results of the surveys indicate that about 17% of Kosovars live abroad. Assuming a total population (resident and Diaspora) of 2.5 million, it is estimated that the size of the Diaspora at about 315 000 Albanian Kosovars plus 100,000 Kosovars of Serbian and other ethnicities. About 30% of Kosovar households have one or more their members living abroad. Most of emigrants live in Germany 39%, Switzerland 23%, Italy and Austria each 6-7%, UK and Sweden each 4-5%, USA 3.5%, and France, Canada, Croatia each around 2%. The Diaspora may be divided according to the time of emigration: Old Emigration, during the 1960s through 1980s, accounts for 14%; those emigrating during the oppressions of the 1990s account for 59%, and the remaining 27% of the Diaspora have left Kosova since the War. About 5% of the Diaspora was born outside of Kosova.

Regions of Kosova from which unusually large proportions of the population have emigrated include Ferizaj, Gjakovë, Gjilan and Prizren. Similar to the home country, the Diaspora is very young, with an average age of 28 years. However, the gender composition is different from the overall population. Nearly two thirds of the Diaspora are male. Most of the Diaspora (46%) have secondary education and about 10% obtained higher education. More than 22% have obtained at least part of their education in other countries. The majority of the

Diaspora (60%) have citizenship in their resident countries, another 34% have temporary (i.e., 2-10 year) resident permits, out of which 1.3% are on student visas. Some 4% have not specified their legal status.

Around 58% of the Diaspora are employed in their resident countries. Of those employed, 33% are in construction, 11% in restaurants and hotels, and 11% in manufacturing. The remainder are employed in agriculture or other service industries. Only about 7% of those working have managerial/supervisory positions. The average salary is about 1,700 Euro. The average income in the family budget, for those who live with their families in resident countries (about 68% according to the visitor survey) is about 3000 Euros.

Diaspora impact/contribution on Kosova is significant. About 70% of emigrants send remittances to their families in Kosova. Just under a fifth of all Kosovar households receive remittances. Of these households, about 13% have received cars, 48% clothes and textiles, and 13% electronics and other appliances. Seventy percent of emigrants visit Kosova contributing to increases in aggregate consumption with their spending during the stay.

Based on our research, it is estimated that annual inflows from the Diaspora are: (a) cash remittances, €170 million, (b) in kind contributions, €22 million and (c) visitors contribution –“Diaspora Tourism,” about €125 million. The total annual inflow is around €317 million, or approximately 14% of Kosova GDP. According to focus group discussions, until 2004, remittances have decreased by around 30% compared to the pre-war period. During the last two/three years, remittances have recorded a slight decrease. In the next medium-term period, the opinion among the Diaspora prevails that remittances will remain at the same level. The main determinant of the frequency and size of remittances is emigrants’ perceptions about the economic situation and needs of their families in Kosova.

Almost half of cash remittances are used for consumption (much more than in other ECA countries), around 18% for housing construction and repairs, 17% for medical purposes, 15% for education and only a modest 3% for investment in business (less than in other ECA countries). The impact of these contributions is significant for ameliorating Kosova’s huge foreign trade and labour market imbalances. However the multiplicative effect on generating economic growth and new jobs is not proportional mainly due to the foreign trade imbalances. Diaspora inflows are mostly spent for imported consumption goods, imported inputs in housing construction and the same is true also for health services. Entrepreneurial activity among the Diaspora is still modest. Around 4% of them have own businesses operating in resident country or in Kosova. As would be expected, those investing in Kosova also tend to visit. Every fifth emigrant taking the Visitor Survey indicated that s/he has investments in Kosova. These are primarily in construction (73%). Accounting for at least 10% of the proceeds to the government, it is evident that the Diaspora have contributed to the privatization process.

Across the Diaspora, there are similar perceptions and concerns about the business and investment climate. Within this, the Diaspora are highly critical of cor-

ruption and cumbersome bureaucratic practices in the administration. The belief is widespread among the Diaspora that significant improvements in policies and the quality of governance are needed to increase investment attractiveness compared to neighbouring countries.

Members of the Diaspora express deep concern and discontent about the "lack of attention and care" by Kosovar government institutions regarding problems they are facing in resident countries. In addition, there is the perception that the Kosovar government does little to facilitate travel and protect the rights of the Diaspora while, at the same time, benefiting from Diaspora tourism and calling on the Diaspora to increase investments and remittances to Kosova. In other words, the Diaspora feel that they have been, effectively, left to fend for themselves by the administration which has "forgotten our contribution for the survival" of Kosova during difficult times of the 1990s. These sentiments should be taken very seriously by Kosova institutions. They should build policies which foster better communication, cooperation and effective mechanisms for addressing the needs of the Diaspora. Being in desperate need to generate economic growth and new jobs, Kosova cannot afford to neglect the very important potential of the Diaspora. Working with the Diaspora can also serve to improve Kosova's image abroad, which can facilitate investment and other support beyond the Diaspora. Organization and mobility among Diaspora members worsened after Kosova liberation. Many of respondents consider that the present political party organization represents an anachronism and contributes to fragmentation and lack of organization and communication among Kosovar communities abroad.

Currently Kosovo is lacking emigration policies. Not surprisingly, with an unemployment rate around 40%, there is a high emigration potential. Twenty-six percent of those surveyed in the Riinvest Household Survey and about 19 % (EWR #18) intend to emigrate. Nearly half (49.8%) of those age group 20-35 years intend to emigrate (EWR #18). Almost exclusively, the motivation for emigration is the economic situation in their families. This might be worsened if conditions for economic growth and new jobs generation are not substantially improved. In this situation creation of more possibilities for organized temporary (circular) migration and employment especially in EU countries becomes an urgent issue. With political status determination and progress toward EU integration Kosovo would become eligible to participate in EU quotas for temporary employment (circular migration). Currently this is working to certain extent with Slovenia regarding their construction workers. Currently, Kosova is not using potential quotas for temporary employment in EU countries. With expected deficits for workers in the EU labour market over the next few decades, through circular migration, and both EU and Kosovar labor markets could benefit. This opportunity should be addressed with active labor market policies especially through development and implementation appropriate flexible training and educational programs for meeting the demand in labor markets of European countries.

RECOMMENDATIONS

1. Institute policy measures for increasing development benefits of the Diaspora:
 - a. The Investment Promotion Agency should build specific communication channels to direct information to Kosovars in the Diaspora about investment opportunities and possibilities in Kosova (web, bulletins, conferences ,investment promotion fairs , direct contacts);
 - b. The feasibility of launching Diaspora Investment Funds should be assessed as a means of concentrating and channeling investment sources of Kosovars abroad interested in contributing to development and ensuring, at the same time, good return on their investment;
 - c. Support should be forthcoming for networking of Kosovar businesspersons operating in different countries through involvement with business associations in Kosova and Kosova government;
 - d. A data base should be created of businesses of Kosovars in Diaspora
 - e. Develop a data base of intellectual potential of the Diaspora. Establish mechanisms of communication between Kosova institutions and the Diaspora in order to engage them through temporary arrangements in respective ministries and universities;
 - f. Improvements should be made in entry procedures and support programs for Diaspora visitors. These should include: (a) Ministry of Education support projects of educational institutions for organizing two –three week summer schools for children and young people; (b) Support the activities of Travel Agencies for offering tours to historical, cultural, and recreational monuments and sites (c) Ministry of Culture, Sports and Youth develop and support cultural and sport events during holiday periods when Diaspora visitors are most likely to visit Kosova.
2. Improve communication and organization of institutions related to the Diaspora for addressing their problems:
 - a. Further develop capacities of the Department of Nonresident Affaires within the Prime Minister’s Office in coordinating activities of governmental institutions for implementation of policies related to Diaspora;
 - b. Support fully the implementation of the Project of the Ministry of Internal Affaires for insuring that all procedures for issuing personnel and travel documentation are effective, timely and without unnecessary administrative obstacles;
 - c. The Ministry of Education should analyze possibilities for supporting the additional/supplementary education of Diaspora children regarding native language , history, geography and arts
3. Organize a roundtable of Political Parties with the President and Prime Minister to overcome political fragmentation and eliminate the current party-based organization of the Diaspora in resident countries and support organization through cultural , educational and business networking ;

4. Undertaking policy and other measures for improving Kosovar Diaspora image and, related to that, also the image of Kosova in resident countries
 - a. Promote organized, high quality, and timely response by Kosovar Institutions, Diaspora bodies and intellectuals to incorrect media presentation of Kosovars.
 - b. Develop activities which improve integration of Kosovars in recipient countries and improve Kosovars's image (e.g., joint activities with different communities in the recipient countries)
 - c. Increase the engagement of Diaspora communities to positively influence members of the Diaspora in order to reduce cases of violation of law in the recipient countries.
5. Building Kosova emigration policies
 - a. Immediately after the status of Kosova is addressed, the Ministry of Labor and Social Affaires should reach agreements with EU countries and EU bodies for ensuring adequate participation of Kosova in Temporary migration and employment (circular migration) quotas.
 - b. The Ministry of Labor and Education in cooperation with donators develop specific programs for graduate schooling, vocational education and training according to the current and future needs of the EU labor market;
6. Ensure dual citizenship for the Kosova Diaspora

INTRODUCTION

Establishing appropriate policies regarding emigration and the status of the Kosovar Diaspora are of key importance for stimulating growth reducing macro-economic imbalances in Kosova. With appropriate policies and incentives, the Diaspora could contribute more effectively, both in terms of human capital and financial resources, to economic growth and job creation in Kosova. This report provides information about the Diaspora and highlights challenges and opportunities for improving the Diaspora's participation in Kosova's economic and social advancement. Among the areas addressed are: Despite its importance, the Diaspora and emigration policies have not been studied systematically by policy makers and other stakeholders. As a result, there is wide variance and even contradictory information from different sources about the Diaspora and their contributions to Kosova. To rectify this situation, The Riinvest Institute conducted comprehensive research on these issues. Of particular focus were:

- 1 The size and socio-economic profile of the Diaspora.
- 2 The current contributions by the Diaspora through remittances, including in-kind contributions; investment; and Diaspora "tourism."
- 3 The current organization of the Kosovar institutions visa-vi Diaspora, is there any institutional link and what is the perception concerning these issues among Kosovars in Diaspora;
- 4 Lessons from experiences with Diaspora in other countries.
- 5 What policies should be implemented to increase the positive impacts of social, human and financial contributions of the Diaspora for Kosova.
- 6 Requirements for developing appropriate emigration policies given the current socio-economic conditions, characterized by high unemployment of young generations, as well as expected developments in the EU integration processes.

Research undertaken to develop this report included:

- a Two surveys: (1) 1,091 visitors randomly selected at the border points in the eve of New Year holidays (2006) and (2) 1,537 households in Kosova with a random stratified sample according to ethnicity and region.
- b Focus groups and in-depth interviews with household heads (four focus groups with 36 participants) , businesspersons (three focus groups, 18 participants), intellectuals (two focus groups, 15 participants), and second/third generation Diaspora (three focus groups with 22 participants) conducted in Germany, Switzerland, Belgium, UK, Sweden, Austria, and the USA), see Annex 1.
- c Interviews with officials in the Ministry of Education, Ministry of Culture, Youth, Sports and Non – residential Affaires, Ministry of Labour and Ministry of Internal Affaires, and the liaison offices of Slovenia, Belgium and Italy. With special focus on circular migration, interviews were carried out with representatives of CBAK and IMF;
- d Review of literature related to Diasporas.

The report is structured as follows. The next chapter provides a short summary of the literature on the potential impacts of the Diaspora and remittances. A summary of the background on Kosova migration and the main survey results on the demographic and socio-economic profile of the Diaspora are presented in Chapter three. The next chapter analyses the current and potential impacts of the Diaspora. The final chapter deals with the institutional aspects and linkages with and within Diaspora.

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DIASPORA AND REMITTANCES – POTENTIAL IMPACTS ON THE ECONOMY OF KOSOVA

The economy of Kosova still faces serious difficulties. Since the donor-funded recovery boom in the first few years after the 1999 War, the Kosovar economy has made little or no progress. Despite continued large, though declining, assistance levels, since 2001 there has been little growth in the GDP and stagnation in per capita GDP, see Table 1. Nearly half the workforce is still unemployed; according to Riinvest estimates (2005), the unemployment rate is around 40 percent. Kosova has the youngest and fastest growing population in Europe. To keep unemployment from rising even further, it must add at least 25,000 jobs annually (see Riinvest 2003 and CBAK, 2007). This is beyond the reach of even the most optimistic economic projections. The trade gap remains immense. Exports are persistently low, covering only around 8 percent of imports in 2006.¹ Moreover, the decreasing presence of international community is putting a downward pressure on prices. These deflationary pressures are predicted to persist, at least in the short term.

Table 1: Main macroeconomic indicators in Kosova (2005 – 2007)

	2005	2006	2007
Population (in thousands)	1,999	2,033	2,067
GDP (in mil. €)	2,238	2,270	2,303
GDP growth (in %)	0.30	3.00	0.70
GDP per capita	1,120	1,117	1,114
CPI (in %)	-1.40	0.70	0.40
Trade balance (in mil. €)	-1,022	-1,159	-1,126
Current account/GDP (in %) ¹⁾	-15.00	-19.00	-20.00
Remittances/GDP (in %) ²⁾	12.31	14.21	18.06
Foreign assistance/GDP (in %)	22.00	20.00	16.00
FDI/GDP (in %)	2.59	9.92	6.87

Source: IMF (2007)

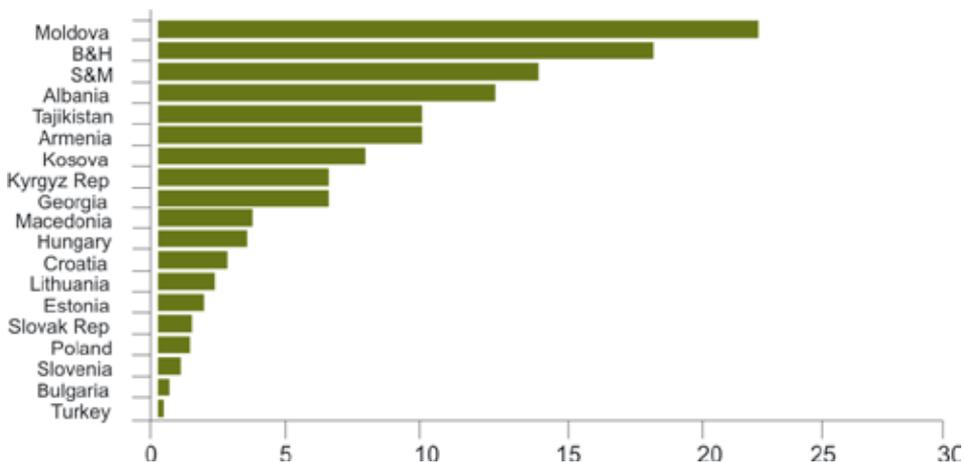
Note: data for 2006 are preliminary estimation, whereas for 2007 are projections; 1) After foreign assistance.

1 The reader should be aware that data on many aspects of the macroeconomy are unreliable and should be interpreted with caution. The same applies to the data provided by IMF (notably on the level of remittances), which have been highly variable from year to year.

Despite all its problems, there have been some significant achievements in the economy of Kosova. The financial system has been performing well. Despite the high cost of capital and short maturity periods, bank loans have been increasing constantly (CBAK, 2007). This progress in the financial system is a result, in part, of increased competition in the banking system. The fiscal performance of the administration has improved. Since 2004, the administration's budget is no longer dependent upon foreign assistance. Budgetary needs are fully covered from internal sources (see IMF, 2007). Moreover, Kosova has made a significant progress in structural reforms, notably in the privatisation of socially owned enterprises (over 70 percent of assets have been privatised).

According to IMF data, remittances currently and in the foreseeable future will be one of the major components of Kosova's GDP (see Figure 1). As a percent of its GDP, Kosova was the seventh largest recipient of remittances in 2004 in Europe and Central Asia (i.e. ECA; basically Transition Countries), and the twentieth largest recipient worldwide. However, if we take into account the remittance figures as a share of GDP for recent years (2005-2007), then Kosova would climb significantly in the list of largest recipients of remittances (for instance, remittances as a share of GDP in 2007 are estimated at nearly just over 18 percent). Here we should note that our estimations (based on the survey results and other analysis) do not fully correspond to the IMF estimations. Our estimation for 2007 shows that the level of remittances in Kosova is €317 million, or around 14 percent of GDP. In addition, our research (mainly based on the focus group discussions with Kosovar Diaspora) shows that between 2005 and 2007 there are no significant changes in the level of remittances, nor there are any foreseen for the near future.

Figure 1: Remittances as a share of GDP in Transition Countries, 2004



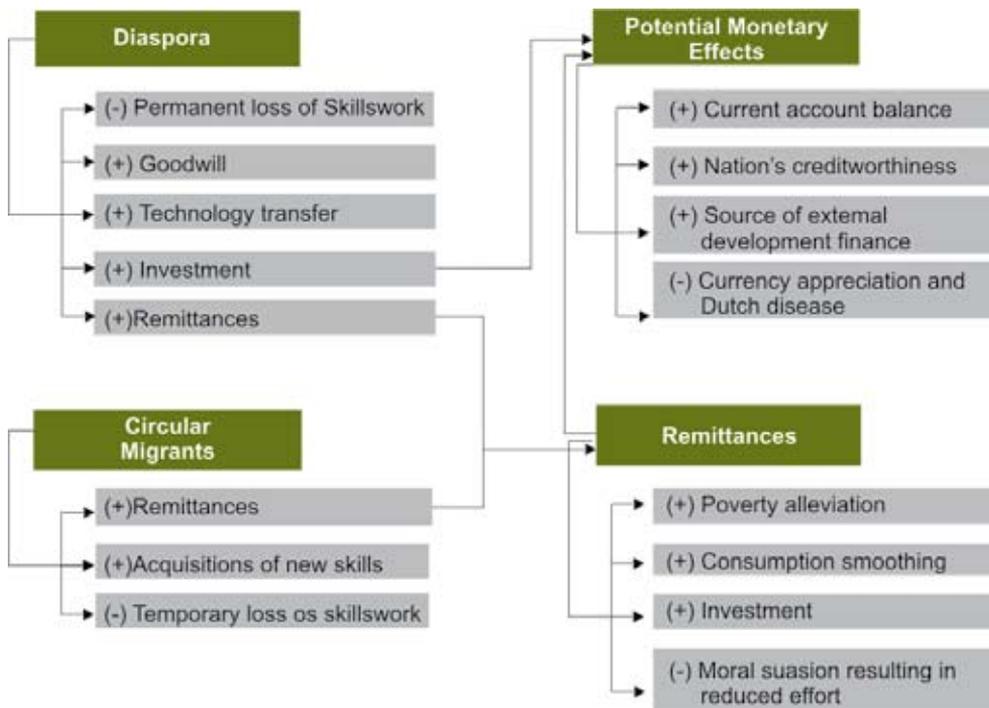
Source: The World Bank (2006, 2007) For Kosova IMF (2007)

Note: We assume that the estimations for S&M do not cover Kosova as since 1999 Kosova is left out of Serbian statistics

AN OVERVIEW OF THE DEVELOPMENTAL EFFECTS OF DIASPORA AND REMITTANCES

Theoretical and empirical evidence for other countries indicate that effects of a Diaspora and remittances can be pervasive throughout an economy. A schematic of the possible economic actions and effects is presented in Figure 2. In the two boxes on the left are the economically-relevant actions and effects by Diaspora and Circular Migrants. In the lower right, the impacts of remittances are highlighted. Finally, in the upper right, some possible monetary effects of remittances and investments are listed. Further, we will provide some theoretical considerations on the impact of a Diaspora and emigration applicable to Kosova. Generally, the economic effects of a Diaspora and remittances are positive, but there are some notable negative implications as well (in Figure 2, pluses refer to positive implications of Diaspora and remittances and minuses referring the contrary).

Figure 2: The economic impacts of Diaspora and circular migrants on the country of origin



The positive implications of Diaspora and remittances

Remittances

The amounts of remittances from permanent emigrants may change over time. Initially, emigrants typically send back large shares of their incomes. However, as they develop social networks within their countries of residence, attachments with and financial support to their home countries may decline. Of particular importance, in this regard, is the potential for reduced remittances as families are reunited and new family obligations created in the country of residence (e.g., see Ruggerio, 2005, regarding Moldova, and Gedeshi, 2002, regarding Albania).

On the other hand, by definition, all of the earnings of a circular migrant, net of costs associated with traveling and residing away from home, are remittances. As circular migrants intend to return to their home countries, they tend to minimize expenditures while abroad.

Investments

Diasporas, particularly large Diasporas, such as Kosova's, can account for an important share of FDI and, moreover, be willing to invest under conditions which would dissuade other investors. Important in this regard, investors from Diasporas are often among the first and most prominent immediately after conflicts or other disasters.² This is true for four reasons: *first*, ethnic advantage and altruism to friends and relatives. The adage "charity begins at home" touches on the very human tendency to feel the most compassion for those who are most like us and with whom we have personal relationships, i.e., friends and relatives. As such, members of a Diaspora may be willing to make investments even if alternative investments are available that have higher returns and or lower risk. This is known as a "patriotic discount" or, perhaps more appropriate to the Kosovar setting, an "ethnic discount."³ The second factor is related to a good knowledge about and connections in business and government. Members of a Diaspora are likely to have knowledge about and connections in the business community and with government not possessed by other potential foreign investors. These can lower the costs of doing business, giving Diasporan investors a comparative advantage. The third reason is related to the specific skills about relevant industries. Particularly if they or their parents came from the

2 There are numerous examples of this, including Kosova. Others include: post-independence Israel, Armenia in the 1990s, and China in the first years after opening for foreign investment.

3 Such discounts can be significant. For example, in a study of the Armenian Diaspora, the very large share of respondents indicated willingness to accept a discount to invest in Armenia. The majority stated that discounts between 20 and 50 percent would be acceptable, and nearly 10 percent of the respondents were willing to accept 75 percent discounts (Hergnyan and Makaryan, 2007).

home country, members of a Diaspora are likely to have skills in industries appropriate for the home country.⁴ And finally, an important incentive for investing is the possibility of exploiting owned assets. Members of a Diaspora may own assets in their home country. This is particularly likely if their emigration was under duress, as is the case for very many of Kosova's Diaspora. Making investments to upgrade those assets may be the most cost-effective way of realizing a good return.

It cannot be taken for granted, however, that Diasporas will invest heavily in their homelands. Although remittances are considered countercyclical (see below), Diaspora investments behave like other capital flows; in other words they are affected by various political, economic and social factors in the origin country, making them procyclical (for more see Ruggiero, 2005).

Poverty Alleviation

There can be no doubt that remittances reduce poverty. Other than transfer costs, remittances go entirely to individuals in developing countries, without the filters or leakages from Western consultants and cumbersome bureaucracies. And the amounts are large. Worldwide remittance flows are estimated at twice the levels of international assistance (ESI, 2006).⁵

Emigrants and circular migrants are motivated by economic gain. It is unlikely that many leave their countries unless they have reasonable expectations of higher earnings. Moreover, their leaving has the effect of raising returns for the labor of those remaining in the home countries (Rivera-Batiz, 2001). There is widespread agreement that low skill emigration or circular migration tends to lower poverty (e.g., see IBRD, 2006b). The evidence is mixed with respect to high skill emigration and circular migration. But it seems unlikely that any negative effects from this could offset the positive effects of remittances (the effect of remittances on reducing poverty in Kosova is discussed later).

Consumption Smoothing

Remittances can help insulate recipient families from economic shocks in their country. Remittances tend to be most sensitive to economic conditions in the countries from which they originate, which may be only weakly correlated with events in the recipient countries. To the extent that remittances respond to conditions in the recipient countries, they tend to be counter cyclical. That is, remit

⁴ For example, a first generation Diasporan from Norway is unlikely to know much about growing sugar cane, but may have considerable knowledge about catching and processing herring. The reverse would be true for a Cuban emigrant. Illustrative of this, the Armenian Diaspora has been particularly active investing in Gems and Jewelry, Tourism, Agribusiness/Food Processing (most notably, wine), and construction. All of these have a long history in Armenia (Hergnyan and Makaryan, 2007).

⁵ According to the World Bank report *Global Economic Prospects*, remittances received by developing countries were expected to reach \$167 billion in 2005.

tances tend to increase (decrease) when conditions in recipient countries deteriorate (improve). Finally, while there will be longer term trends in remittance levels, from year to year they tend to be quite stable (Neyapti, 2004).

Current Account Balance

Remittances have the same salutary impacts on the monetary flows of a country as do exports. Indeed, remittances may be viewed as payments for exports. In the case of payments to circular migrants, the payments are for exported labor. Remittances from the Diaspora or other non-residents are payments for psychic benefits to the giver (e.g., see Beilock, 2000).

For Kosova's current account balance remittances are extremely important. Even with infusions of foreign assistance equivalent to a quarter of the GDP, the current account deficit was equivalent of 17.3 percent of GDP in 2006 (CBAK, 2007). This is one of the highest in the region. If it were not for remittances, however, the current account deficit would approach 40 percent of GDP.⁶

Other positive effects

Diasporas can accelerate and smooth technology transfers. This is reflected in the prominence of Diasporas in high technology industries of several countries. Of at least equal importance with bringing technical production technologies, Diasporas can improve business and marketing practices.

In addition, Diasporas can act as ambassadors of goodwill for their home country. This can raise the reputation of goods and services from their home countries. There is evidence, for example, that successful IT specialists among India's Diaspora were important in projecting positive images of India as a reliable centre for IT (Pandey et. al., 2004). Moreover, active Diasporas can be of value in securing cooperation of their countries of residence. Many, for example, attribute much of the positive and generous policies of the U.S. and France toward Armenia to the Diasporas in those countries.

In the context of potential monetary effects, remittances can be important for improving the creditworthiness of a nation. In addition, some countries (and even some companies) issue Diaspora bonds, which are financial instruments to raise hard currency financing from its Diaspora. Diaspora bonds are not yet widely used; however, some countries have had considerable success raising capital by these means. A notable feature of Diaspora bonds is that they are long-term, and as such they can be used to finance investments. The two most successful cases are Israel and India. Israel uses this borrowing instrument to

⁶ To emphasize the extent to which Kosova relies upon external sources, without foreign assistance or remittances, Kosova's current account deficit in 2006 would have exceeded 60 percent of GDP.

finance investments and also to maintain the ties with its Diaspora. Since 1951, when Israel first started issuing these bonds, they have raised \$25 billion. On the other hand, India has used this instrument for balance of payment support, raising \$11 billion since 1991 (for more on these issues see Ketkar and Ratha, 2007).⁷

DISADVANTAGES OF DIASPORA AND REMITTANCES

Loss of Skills/Work

In the case of permanent migration, a country loses forever direct benefits from the skills and work of an emigrant.⁸ In general, this loss is more serious the better the human capital of the emigrant, including education, experience, health, and remaining work life. This is true for two reasons: *first*, the country may have already invested significant resources to nurture and train the individual; and, second, the better the human capital, the greater the future stream of value the individual can produce. The seriousness of the second aspect depends upon the ability of the economy to exploit an individual's talents. If returns are low within the country for the skills possessed by the individual, the value of his/her contributions to the economy would be low if he/she did not emigrate. The forgone benefits from the individual emigrating would be correspondingly lower. A rational individual would emigrate for precisely this reason – higher returns for their skills in other countries. In other words, individuals tend to emigrate from a country when losses from their forgone future services are small, at least relative to their value in other countries. This does not mean, however, that there is no problem. Individuals may choose the best course for themselves, but they carry with them investments made by their societies and for which those societies reasonably expect a return.⁹

In contrast to permanent migration, the loss of the skills and work of a circular migrant is temporary.¹⁰ The significance of this, however, is likely to be small for four reasons: first, often, though not always, circular migrants have moderate

7 Other successful stories are Sri Lanka, South Africa, and Lebanon. Ketkar and Ratha (2007) discuss the rationale, methodology, and factors affecting the issuance of Diaspora bonds.

8 With respect to higher than average skills, this phenomenon is often referred to as a brain drain.

9 Some countries attempt to discourage emigration of high skilled citizens. For example, there have been attempts to require a period of work within a country in return for education at a public university. Such efforts, in practice, are easy to circumvent and have met with little success (International Bank for Reconstruction and Development, pp. 67-9).

10 Migrant workers are individuals temporarily living and working outside of their country. As these individuals leave and then return to a country, the process is sometimes referred to as "circular migration" and the individuals as "circular migrants." Because "circular" conveys the idea of leaving and returning, while "migrant" could connote nomadic wanderings from place to place to place, we will use "circular."

or low skills; second, circular migrants usually act on immediate income generation opportunities superior to those available in the home country. In many instances, circular migrants were unemployed or underemployed in their home country; finally, circular migrants tend to return large shares of their earnings to the home country.

Moral Suasion Resulting in Reduced Effort

There are concerns that recipients of remittances may have reduced incentives for self-improvement. This is particularly likely to be true if increases in household income are associated with reductions in remittances. Work by Hunte (2004) suggests that for every one percent increase in the income of recipient households, remittances fall by 0.8 percent. Accepting this estimate and if remittances account for all or nearly all of a household's income, there would, indeed, be very low incentives for self-improvement. However, remittances usually account for half or less of household income. If, for example, remittances were 40 percent of a household's income, then for every 1 percent addition through their own efforts, remittances would fall by the equivalent of roughly 0.32 percent of household income. It seems unlikely that this would be sufficient to be a sufficient deterrent to enterprise.

Currency Appreciation and Dutch Disease

As stated earlier, remittances are, effectively, payments for exports of labor and psychic benefits. If they are sufficiently large, there is the potential for currency appreciation and reduced competitiveness in other sectors, commonly referred to as the Dutch Disease. In the case of Kosova, this is not a serious concern, at least in the short and medium term, for three main reasons. First and foremost, Kosova uses the Euro. As such, there is not a small supply of local currency whose price can be rapidly bid up by an influx of foreign exchange. Second, since 2001 the international community in Kosova has been progressively downsized, with a consequent lowering of aggregate demand. Remittances partially offset this trend. In 2001, inflation in Kosova was 11.7 percent. Since 2003, it has ranged between -1.5 and 1.1 percent (CBAK, 2007). Without remittances, Kosova might be in a severe deflationary spiral as the international community continues declining. Finally, the unfortunate fact is that there is not much scope for a worsened trade situation. Kosovar goods exports cover barely 8 percent of imports.

EXPERIENCES OF OTHER COUNTRIES WITH DIASPORA AND REMITTANCES

To our knowledge, there are no studies conclusively demonstrating that a Diaspora and circular migrants can materially assist a country to achieve sustainable growth. There are, however, several examples which lend credence to this path for sustained growth. Probably the three best examples are Ireland, Israel, and Armenia.

Ireland

Since at least the 1840s, Ireland has been a net exporter of people. As recently as the 1970s, Ireland was considered to be a second or third world country, an anomaly on the edge of Western Europe. As many as 1,000 people per day emigrated, primarily to Britain. Many in the Diaspora sent home remittances, easing the plight of those left behind. It was not until the late 1980s, however, that FDI in Ireland took off. Much of this was from the U.S., often connected with businesspeople from the Diaspora. In many years, tiny Ireland accounted for over 10 percent of all U.S. investments into Western Europe. Within just over a decade, Ireland went from being one of the poorest nations in Western Europe to one of the richest. Underscoring this dramatic reversal, the Irish per capita GDP now exceeds that of the United Kingdom and Ireland has a net inflow of migrants. There are many factors which contributed to the rise of the "Celtic Tiger." Prominent among these was acceptance into the European Union in 1973, with the attendant market access and subsidies. In addition, there were significant reforms which made Ireland more business-friendly. Nevertheless, it appears certain that the Irish miracle was aided significantly by Diaspora-linked investments.

Israel

Israel's story is remarkably similar to Ireland's. Until the 1990s, Israel was primarily an agricultural country and FDI was relatively unimportant (OECD, 2002). Beginning in the 1990s, there was a several-fold increase in FDI, much of it centered in high technology industries. Israeli growth accelerated and between 1990 and 2003 its GDP grew by 50 percent. There is no clear evidence of the extent of Diaspora involvement, but the dominance of U.S. investment suggests that the Diaspora was a strong element. Indicative of the importance of investment in this small economy, on the NASDAQ Exchange, the second most frequently listed foreign companies were Israeli.

Armenia

Armenia is, perhaps, the most relevant example for Kosova. Like Kosova, it is landlocked and the focus of international disputes which potentially reduce its attraction for investing. Also like Kosova, it has run very high trade deficits, the equivalent of between a quarter to a third of its GDP during the years from 1996 through 2000. Since 2000, however, the Armenian economy has been one of the most rapidly growing in the world. Similar to Ireland and Israel, reforms to create a more business-friendly environment and flexible financial sector set the stage and growth was fueled, in part, by investments from the Diaspora and remittances from both Diaspora and circular migrants.

The main differences between, on the one hand, Ireland and Israel, and, on the other hand, Armenia were:

- Armenia started from a lower economic level and was burdened with significant property damage, from the 1989 earthquake, as well as the legacy of its war with Azerbaijan (25,000 dead, war wounded, and heavy military expenditures).
- Armenia is landlocked and, arguably, more isolated.
- Relative to the size of Armenia's economy, the Diaspora and circular migrants were a larger factor.

In all of these regards, Armenia closely resembles Kosova. The economic transformation has been dramatic. According to International Development Association (2007) between 1995 and 2005:

- Per capita GDP increased fourfold.
- Inflation fell from 176 percent to 0.6 percent annually.
- The fiscal deficit narrowed from 9 percent of GDP to 2.6 percent.
- Debt lowered from 35 to 20 percent of GDP.
- The trade deficit fell from nearly a third of GDP to under 20 percent.
- Poverty fell from 56 to 30 percent of households and extreme poverty from 21 to under 5 percent of households.

Between 2002 and 2007 per capita GDP increased by more than two thirds. While there still is a considerable trade deficit, export growth is generally keeping pace with imports and the trade deficit has fallen to under 20 percent of GDP (Roberts and Bainain, 2004). The rapid growth of exports is broad based, cutting across several industries.

The roles of Diaspora investments and remittances have been dramatic. Between 1994 and 2004, 69 percent of all foreign investments were Diaspora-connected and 68 percent of all FDI went to Diaspora-connected firms within Armenia (Hergnyan and Makaryan, 2007). Remittances from the Diaspora in 2003 were estimated at \$324 million US, equivalent to about 11 percent of GDP. Perhaps most remarkably, remittances from circular migrants were between \$494 and \$717 million US, the equivalent of between 18 and 26 percent of GDP (Roberts and Bainain, 2004).

The common threads across these three examples bear repeating. First, accelerated, sustainable development is not possible until broad-based reforms are implemented which establish more friendly business environments. Hallmarks of this include reducing red tape, eliminating unusual hurdles for foreign investment, and fighting corruption. This facilitates investments, often led by and with significant involvement of the Diaspora. Particularly during the transition to high growth, while there still is an excess of laborers, circular migration can be important,¹¹ with the attendant benefits of remittances and skills acquisitions. Affecting this requires strong commitments to good governance, programs which embrace and facilitate Diaspora involvement, and agreements with other nations to permit legal circular migration.

11 True in Ireland and Armenia, but not Israel.

KOSOVAN DIASPORA – SOCIO-ECONOMIC PROFILE AND ITS IMPORTANCE

HISTORICAL BACKGROUND ON KOSOVAR MIGRATION

Emigration from Kosova started in the late 60s and early 70s and may be divided into four phases: 1) 1960-1988, 2) 1989-1997, 3) the emigration flow of the 1998/99 war in Kosova, and 4) 2000-2007.¹² The first phase was characterized by the emigration of Albanian guest workers, mainly to Germany and Switzerland. These emigrants were mainly unskilled, poorly educated and from rural areas. They were recruited on special contracts that intended to have them as temporary workers. Although they were encouraged to return through different programs, many of the guest workers were allowed to bring their families to the host countries and have stayed there for generations (Wallace, 1998). The second phase, 1989-1997, was dominated by the emigration of better-educated and skilled young men, from both urban and rural areas, who fled/escaped from the Yugoslav army services, especially during the Balkan wars 1992-1995. The abolition of the autonomous status of Kosova in 1989 was followed by the mass dismissal of Albanians from their jobs. This put further pressure on economic emigration during this period. The third phase encompasses forced emigration – massive population displacement -- as a result of the 1998/99 war in Kosova. Albanians fled mainly to the neighbouring countries, such as Albania (45%), Macedonia (30%) and Montenegro (15%). After June 1999, Kosova experienced a rapid return of the displaced population. According to IOM's Mission in Kosova, during the period 1999-2007 a total of 191,731 emigrants returned to Kosova. Returnees, particularly those returning right after the war, participated significantly in the reconstruction process. After 1999, immigration policies in other countries towards Kosovars became more restrictive as Kosova was considered to be a safe country. Increasingly, those determined to emigrate resorted to illegal means. According to the 2007 household survey, about 73% of the Diaspora emigrated before the war and 27% during the post-war period.

THE DEMOGRAPHIC AND SOCIO –ECONOMIC PROFILE OF THE KOSOVAR DIASPORA

According to the 1999 Riinvest Household Survey¹³, around 41% of Kosovar-Albanian households had family members living abroad. This has decreased to about 30% in 2007 (Riinvest household survey 2007). According to Riinvest estimates, this gives a total of app. 105,000 households with emigrants and a total of 315,000 emigrants.

12 War Consequences on Family Economies and Businesses – Household Survey. Riinvest, 1999.

13 This survey was conducted in 1999 with 3,500 Kosovar-Albanian households only.

The gender structure of emigrants is different to that of Kosova. While, in Kosova, 50% are male and 50% female, 65% of emigrants are male and 35% are female. The majority of them are married, 64%. The average household size is 4 members, smaller than that of the 6.4 member average for the Kosova popula

tion. Of those with children, the majority, 56%, have 3-to-4 children. The average age of their children is around 11.5 years.

The survey shows that the demographic statistics of the emigrant population are similar to those of the Kosova population. The average age of emigrants is 28 years, which is similar to the Kosova average of 30 years in the Kosovar population. Furthermore, in both cases the percentage of those under the age of 15 is 30%. According to the survey, those aged 19-through-35 are most likely to be emigrants, accounting for 50% of the total emigrant population.

Again, similarities between the two groups appear also with regard to their educational profiles. Around 46% of emigrants have secondary education, while a smaller proportion, i.e. 29% have primary education.¹⁴ The proportion of those who have attained higher education is 10%.

BOX 1: SERBIAN KOSOVAR DIASPORA

In this box we report findings from the Household Survey of Ethnic Serbian Kosovars only. We interviewed 205 households with a questionnaire, which compared to those for non-Serbs ethnicities contain some specific questions. Discussions in this box are based on the household survey. It is crucial to note that due to non response about the amount of remittances received we cannot estimate the amount of remittances.

Propensity to migrate: Around 79 percent of respondents report that they are planning to migrate. Of these, 33 percent intend to go to Switzerland, 9 percent to Germany, and 7 percent to the USA and the rest of respondents indicated other countries without specifying which ones. In sharp contrast to ethnic Albanian Kosovars, only 8 percent of ethnic Serbian Kosovars gave economic considerations as the primary motivation for migrating. Rather, the main reason (69 percent) for ethnic Serbians to migrate is dissatisfaction with the current political situation.

¹⁴ In Kosova, 45% have secondary education, while 36% have primary education Kosova Socio-Economic Profile and Development Challenges, Riinvest (2005)

Diaspora: Data show that 18 percent of respondents (28 out of 155) indicated that a household member is living abroad. Among those that have someone abroad only eight percent stated that they receive remittances from Diaspora. Unfortunately in this survey there is almost no response with regard to the amount of remittances received in cash, which permits us estimating the amount of remittances for Serbian Kosovars. Similarly when asked to report supports from emigrants in kind, almost 50 percent do not respond at all; 25 percent note that they receive clothes whereas the rest note to receive cars, electrical appliances and medicines. The main problems concerning the ethnic Serbian Diaspora is the lack of organizational institutions (14%), and problems related to the travel documents (7%) and majority do not respond at all.

Profile of Diaspora: Among emigrants 56 percent are females and 44 percent males, the average age is 38; 68 percent are married and 81 percent have completed secondary school. Just over three quarters live in Serbia; 3 percent in Montenegro, and 18 percent in other countries (1 respondent Germany, 1 Switzerland and 6 did not indicate the country). As would be expected, the majority migrated during the 1998/99 period of conflict in Kosova. Finally, asked whether family members who have left are expected to return to Kosova, 95 percent answer that their family members living outside of Kosova have no plans to return.

STATUS AND OTHER CONDITIONS IN ADOPTED COUNTRIES

Country of residence

While 25 countries were listed by respondents as host countries for the Diaspora, 60% reside in two countries, Germany and Switzerland, see Table 2. Similar results were found in the 1999 household survey, which showed that of all emigrants 47.5% resided in Germany and 22.4% in Switzerland. This is believed to be mainly a consequence of the pattern of Kosovar migration during the first wave (i.e., 1960-1988) of migrants who travelled predominantly to Germany and Switzerland through guest worker employment contracts. This is consistent with research which indicates that relatives or friends living in a country may attract additional migration. By providing information to potential emigrants about the modes of emigration, conditions in these host countries based on their experiences as well as helping them in finding a job and accommodation prior to emigration they reduce transaction costs for new emigrants (Germenji and Swinnen, 2005). This, in turn, translates into an incentive for potential migrants to travel to the same country as their relatives or friends. Another important factor inducing immigration to a certain country may be the level of remittances sent from the emigrants residing in it. In this case, the majority of remittances are sent from Germany (40%) and Switzerland (20%). These may have been used to finance emigration of other family members.

Table 2: The Distribution of Emigrants by Host Country

Host country	Share of Emigrants (%)
Germany	39.4
Switzerland	23.2
Italy	7
Austria	6.7
Scandinavia	5.8
UK	4.8
USA	3.5
France	2.1
Canada	1.6
Neighbouring countries	3.7
Other Countries	2.2

Riinvest Household Survey, 2007

Other EU host countries include Austria, 6.7%, Italy, 7%, Scandinavia, 5.8%, the UK, 4.8% and France, 2.1%. Another relatively small proportion of emigrants reside in the neighbouring countries, some 3.7%. A negligible proportion resides in Albania, i.e. 0.1%, 0.3% in Bosnia and 0.77% in Slovenia, and 1.6% in Croatia. Some of these may be circular migrants, who do seasonal jobs in these countries.

LEGAL STATUS IN THE HOST COUNTRY

According to the household survey, the majority of respondents have the citizenship of the host country, 57%. About a third of the Diaspora have temporary residency permits ranging from 2 to 10 years. Out of these, those on work visas make up a relatively small proportion, 11%.

Table 3: Legal Status in the host country

	Share of emigrants (%)
Citizenship	57.13
Temporary residency permit, 2-5 years	7.94
Temporary residency permit, 5-10 years	18.94
Family reunification	8.04
Work visa	3.36
Student visa	0.41
Other	4.18

Riinvest Household Survey, 2007

Looking at the legal status of emigrants by host country separately gives interesting results. In Germany and Switzerland, although they account for the largest proportions of emigrants, only 58% and 46.2% respectively have the citizenship. Interestingly, in the USA and the UK which account for very small proportions of the Diaspora, almost all emigrants have the citizenship, 88% and 65% respectively. Among the Scandinavian countries, Sweden accounts for the majority of emigrants of which 86% have the citizenship of this host country. Norway, although only around 1% of emigrants reside in it, is the host country with the highest rate of emigrants who have the citizenship, 90%.

PLANS TO RETURN

Survey results indicate strong ties between migrants and Kosova. Around 76% of emigrants plan to return to Kosova, of which two thirds plan to return after retirement, and a third plan to return prior to that. The return of emigrants is more probable to occur after retirement regardless of legal status in the host countries.

Almost surely, the main reason for plans to return is the strong family ties which prevail in the Kosovar society. Given that the majority plans to return after retirement the potential of returnees to contribute, especially in terms of human capital, is relatively small as the length of time left for the transfer of human capital is relatively short.

ECONOMIC CONDITIONS OF EMIGRANTS

Employment

Nearly two thirds of emigrants were not employed before leaving Kosova. In sharp contrast, 58% of emigrants are currently employed in host countries. This strongly suggests that emigration has been driven primarily by economic considerations. Consequently, the reason for their emigration may, to a large extent, have been economically driven.

Table 4: Employment by Host Country

Country	Share of emigrants who are employed (%)
Germany	68
Switzerland	68
Scandinavia	75
USA	60
Canada	87.5
Croatia	50
Slovenia	62.5

Riinvest Household Survey, 2007

A breakdown of Diaspora employment rates by host country is presented in Table 4. This shows some differences when compared to the residence profile by host country. The employment rates in Germany and Switzerland, 68%, are lower than the employment rate in Canada, 87.5%, and in Scandinavia, 75%. Employment rates by gender give a ratio between employed and unemployed women of app. 1:1. For men, this ratio is larger in favor of employment, i.e. 7:2.

Just over half of the Diaspora are employed in construction and hotels/restaurants, see Table 5. These are two of the most developed sectors in Kosova. Relatively small shares of the Diaspora are employed in sectors which are lagging in development in Kosova, such as health, education, and finance. As such, gains from technology transfers from returning Diaspora are likely to be modest.

Table 5: Employment by Sector

Sector	Share of employed (%)
Construction	38.6
Hotels/ restaurants	13.0
Production	12.7
Agriculture	5.3
Trade	5.3
Transport and communication	5.1
Health and education sector	4.7
Public utilities	2.3
Financial sector (bank, insurance company etc.)	2.1
Public Administration	1.5
Mining	1.3
Other	8.1

Riinvest Household Survey, 2007

Nearly half of Diaspora men (47.4%) are employed in construction. In contrast, female employment is less concentrated, with the dominating sector being hotels and restaurants sector (23%) and the health and education sectors (18%).

The large majority of emigrants, 82.16%, are employed as low-skilled workers. Only 7.57% work as supervisors or managers.

Table 6: Level of Employment

Occupation	Share of total employed (%)
Manager/Supervisor	7.57
Administrator	0.9
Low-skilled worker	82.16
Sales person	4.68
Other	4.68

Riinvest Household Survey, 2007

Income

According to the visitor survey, 40.05% earns between €1501 and €3000 monthly, followed by 27.04% who earn between €500 and €1500, and 20% who earn between €3001 and €5000, see Table 7. These results give an average monthly salary €1,700.

Table 7: Share of emigrants by monthly income intervals

Amounts in Euros	Percent (%)
€500- 1500	27.04
€1501-3000	40.05
€3001-5000	20.35
€5001- 8000	8.80
More than €8000	2.93
Total	100

Riinvest Household Survey, 2007

CURRENT AND POTENTIAL ECONOMIC IMPACT OF DIASPORA

REMITTANCES AND OTHER FORM OF DIRECT IMPACT

Measuring actual stocks and flows of remittances is immensely difficult. There are some rough estimates on the number of Kosovars residing abroad, but any additional information on this demographic category is nonexistent. One of the aims of both surveys, visitor and household survey, was also to estimate the actual flows of financial remittances into Kosova.¹⁵ In addition, information was sought in the surveys on the in-kind remittances and other spending by Diaspora during visits to Kosova.

According to the household survey, 30 percent of families in Kosova have at least one member residing in foreign countries. The regional structure of emigrants shows that there are two main centres from which people emigrate, Prizren and Prishtina, accounting for 25.9 percent and 23.6 percent of total emigration, respectively. These two centres are followed by other regions, such as Mitrovica, Ferizaj, Peja, etc. Obviously the regional structure of emigrants doesn't follow exactly the regional population structure of Kosova, however, it gives indication in favour of regions with greater traditional propensity towards emigration like Prizren for instance. By the same token, the regional structure of emigrants is not exactly the same with the regional structure of those who remit. Again, emigrants from Prizren send more money (27.5 percent of the total) home relative to those from Prishtina (24.6 percent), Mitrovica (12.2 percent), Ferizaj (11.4 percent), and the rest. However, while Gjilan accounted for 9 percent of Kosovar emigration (following Peja with 11 percent), they remit more than emigrants from Peja. While the former account for 9.4 percent of the total of those who remit, emigrants from Peja account only for 8.7 percent of the total.

There is some discrepancy in the number of emigrants remitting according to the household survey and visitor survey. The former shows that only 70 percent remit (i.e. 18 percent of the sample), whereas the latter shows that almost 90 percent of emigrants remit (see Table 8). The difference may be attributed to the differences in sample size and sample distribution (one should especially bear in mind that visitor survey does not include illegal migrants). In addition, there

¹⁵ To minimize response bias regarding sensitive questions about financial remittances, respondents were asked to select the appropriate interval corresponding to remittances they give or receive, rather than revealing exact amounts. This approach makes it difficult to measure precisely the amounts remitted. However, employing midpoints for the intervals, close estimations can be provided. Again, we believe that gains from the reduction in the potential for response bias more than offset any losses in precision from employing intervals.

are some more subjective for the resulting differences: first, givers like to say and even exaggerate their own generosity and receivers may want to appear needy either out of some wish to be pitied or, more likely, to avoid revealing income.

Table 8: Table 8: The frequency of Kosovar emigrants remitting (in %)

	Household survey	Visitor survey
Yes	68.81	88.38
No	31.19	11.62
Total respondents	100.00	100.00

Source: Visitor' survey and Household survey (Riinvest, 2006 and 2007)

Note: Non-responses were removed from the table

There are concerns whether the Diaspora will continue contributing as much as at present to their families and relatives living in Kosova, in the future. The research results suggest that the readiness of the Diaspora to help Kosova is not as strong as in the pre war period, but remittances will continue, albeit probably at a lower scale. Respondents in the Diaspora declared that their relatives in Kosova continue to be their concern and they will keep supporting them as long as this is needed.¹⁶ This could be confirmed also through the regularity of remittances sent to them. According to the Visitor Survey (December 2006) almost 90% of the Diaspora people send money "regularly" or "sometimes" to their families in Kosova as opposed to over 10% that do not remit. Once again, we should bear in mind that these percentages refer to Diasporan visitors, not the Diasporan population in general.

This survey shows that 71.6% of respondents send from 100-1,000 Euro annually, whereas around 18% send from 1,000-3,000 euros. Somewhat similar amounts are derived from the Riinvest Household Survey (2007), showing that, of those receiving remittances, 66% receive between 100 and 1,000 Euros annually and 22% receive between 1,000 and 3,000 Euros annually.

Again, both surveys indicate similar results on the frequencies of remittances sent/received by the Diaspora/family members in Kosova (see Table 9). When asked about their perception on the future trend of the remittances, about half of households having someone abroad believe that these remittances will stay stable or increase, as opposed to 24% saying that trend will decrease. The results presented could also strengthen the statement on the existing strong links of Diaspora with their home country, and their readiness to continue supporting their families.

¹⁶ Focus Groups' Discussions in Germany, Switzerland and Sweden (2007)

Table 9: The frequency of remitting

	Household survey	Visitor survey 1)
Once a month	31.87	30.65
Once in 3 months	32.97	35.06
Once in 6 months	20.15	22.38
Once a year	15.02	11.91
Total respondents	100.00	100.00

Source: Visitor's survey and Household survey (Rinvest, 2006 and 2007)

Note: Non-responses were removed from the table

¹⁾ Visitor' survey includes an additional category, i.e. 'Other' which was dropped (21 respondents ticked this category out of 967)

Regarding the amounts remitted, our surveys show slightly different distribution. While the responses in the household survey are concentrated mainly in "€100-500" category (almost 30 percent respondents) only 16 percent of respondents in the visitor survey stated that they remit amounts between 100 and 500 Euros (see table 10 below). The distribution in categories from 500 Euros up to 3,000 Euros is very similar in both surveys, especially from 1,000 to 3,000 Euro. A discrepancy is noted in the category '4,000 – 9,000 Euro', whereby almost 20 percent remit within these limits according to the visitor survey, versus just over 12 percent according to the Household survey. It should be stressed, however, that the household survey covers remittances from Diasporans who visit Kosova and those who do not. It is possible that visitors have greater financial means and/or feel more attachment to their families, on average, than all Kosovar Diasporans. If so, it would be expected that average remittance levels would be higher by visitors than by all Diasporans.

Table 10: The amounts remitted by Kosovar Diaspora

	Household survey	Visitor survey ¹⁾	
	Annually	Annually	Monthly
	Percent	Percent	Percent
100-500	28.17	16.47	66.19
500-1000	17.86	21.26	26.68
1000-2000	19.05	20.06	4.89
2000-3000	19.05	19.16	1.63
4000-9000	12.30	18.86	0.61
10000- 20000	3.57	4.19	-
Total respondents	100.00	100.00	100.00

Source: Visitor's survey and Household survey (Rinvest, 2006 and 2007)

Note: Non-responses were removed from the table

¹⁾ Surveys include also the category of 'Other' which was dropped (in the household survey there is 1 respondent in this category, whereas in visitor survey there are 6 respondents)

MEASURING REMITTANCES AND OTHER DIASPORA CONTRIBUTIONS

As we argued earlier, measuring the level of remittances is a daunting task. Based on the survey data (household and visitors survey) as well as other supporting information provided by interviews and other sources, we estimate remittances in cash, Diaspora tourism, and in-kind of remittances.

For 2007, we estimate total remittances in cash of 170 million Euros, total in-kind remittances of 22 million Euros, and 125 million Euros is the estimated amount 'Diaspora tourism.' Therefore, total estimated injections into the Kosova economy from the Diaspora are 317 million Euros in 2007 (see Table 11 for more details).

Table 11: Estimation of Financial and In-kind Inflows from the Diaspora: Kosova, 2007

Description	
Total families receiving remittances	73,500
Average amount of remittances per family (Euro)	2,315
Average expenditures per visitor	575
Remittances in cash	170,000,000
Cars	9,500,000
Clothes	7,000,000
Electrical appliances	4,800,000
Medicines	660,000
Remittances in-kind	22,000,000
Total visiting Diaspora	220,000
'Diaspora tourism'	125,000,000
TOTAL REMITTANCES	317,000,000

Source: Visitor's survey and Household survey (Rinvest, 2006 and 2007)
Next we discuss in more detail the figures presented in the preceding table.

In-cash remittances

We estimate that total population of Kosova (i.e. residing in Kosova and abroad) is 2.5 million. According to our surveys 13 percent of Kosovars are residing abroad (total number of individuals in the household survey is 8,385, from which 1,056 are living abroad). If we apply the same percentage to the total population, there are approximately 315,000 Kosovars living abroad. In addition, various sources (Riinvest and other research centres) estimate that the average family size is 6.4 members. Based on the total population figure there are some 390,000 families in Kosova. This figure seems a bit exaggerated having in mind that in 2004 there were 325,000 families according to the property tax register. We believe that the average of these figures is more reliable, henceforth using the rounded figure of 350,000 families in Kosova. In this context, the household survey shows that 30 percent of families have at least one member abroad, or some 105,000 families. Still according to household survey, 70 percent of families having one member abroad (i.e. 18 percent of total population) receive remittances, or approximately 73,500.

Employing data from the household survey, we estimate that the average annual amount received by those households which get any remittances is 2,315 Euros. This is based on the midpoints of the intervals respondents were given in the survey, see Table 10. Multiplying the estimated average in-cash remittances by the estimated number of households receiving remittances (i.e., $2,315 \times 73,500$), we obtain the 170 million Euro estimate.

In-kind remittances

Some Diaspora remittances are in-kind contributions, such as cars, clothes, appliances, and medicines. The most important category of such contributions is cars. The household survey indicates that 13 percent of families with members abroad (or 9,555) have received a car. Assuming that families receive cars every three years, in an average year approximately 3,200 (i.e., approximately $9,555/3$) households receive cars. Assuming that the average value of cars sent to Kosova is 3,000 Euro, the annual amount of remittances in-kind received as cars totals around 9.5 million Euro.

The amounts remitted in clothes are estimated at around 10 million (48 percent of respondents declared that they have received clothes from their relatives abroad. We assumed an average value of 200 Euros). Based on our estimates; families receiving clothes: 35,300 multiplied by 200 is around 7 million Euros). On the other hand, as with cars, there are some 13 percent of families receiving electrical appliances (or 9,500). Riinvest estimates that the average value of appliances sent to Kosova is approximately 500 Euro. Hence the total amount of remittances in-kind sent in the form of electrical appliances is approximately 4.8 million. Moreover, some 9 percent of families (i.e. 6,615 families) have received medicines in approximate value of 100 Euro, totalling at approximately 660,000 Euro. In total, based on the figures presented the remittances in-kind amount at approximately 22 million Euro.

Diaspora Tourism

Diaspora tourism refers to longer visits to Kosova by members of the Diaspora. These tend to be concentrated around the New Year's holidays (typically week long visits) and the summer holidays (in which may last 2 –to- 4 weeks). Not included in our definition of Diaspora Tourism are short, occasional visits, for instance, due to family events or business commitments.

Diaspora 'tourism' already is significant for the Kosovar economy and its importance appears to be growing. . Based upon the survey results, the average Diaspora household spends 2,300 Euro per visit to Kosova, or 575 Euro per person (4 members per household, on average). Furthermore, it is estimated that 70 percent of Kosovars residing abroad visit Kosova at least once annually (in total 220,000 visitors).¹⁷ Using these figures the total estimated amount spent annually in a form of 'Diaspora tourism' exceeds 125 million Euro.

Most Kosovar Albanians living in other countries come to Kosova regularly. Based on the household survey, nearly two thirds (65 percent) visit once per year, 14 percent visit twice per year, and 9 percent visit four times annually (see Table 12). These results are consistent with the focus group discussions in which 80% of Kosovars holding proper travel documents indicated that they visit Kosova during the summer. (For more discussion, also see description of the Focus group in Brussels, Annex 1).

Table 12: How often do they visit Kosova?

Description	Percent
Once in a year	65.0
Twice in a year	13.9
Every three months	8.7
Other	9.2
Ref/n.a.	3.2
Total	100.0

Source: Riinvest Household Survey, 2007

Diaspora Tourism is a significant segment of all international visits to Kosova. However, there are no organized events and activities to improve the attractiveness of Kosova as a destination for the Diaspora.¹⁸ Rather, this tourism relies entirely upon family and friendship linkages with Kosova. Given that Kosova has huge Diaspora and that there are limitations for non-Diaspora tourism de

¹⁷ Arbitrarily we add 5% to the 65% of respondents who declared that their members visit once a year (see table 12). The reason for these additional 5% is that we try to account for a share of those who visit more that once a year.

¹⁸ Israel and Ireland represent good examples of organized Diaspora tourism.

velopment due to the current economic and political situation, it would seem prudent for the government and tourist-dependent businesses to take steps to increase incentives for Diasporans to visit Kosova. Such activities and events could include Diaspora-specific tourist packages, visits to historical and cultural monuments, cultural events and festivals designed to include and even honour Diasporan visitors, and summer schools in language, history, culture, and economics.¹⁹ To date, there have been virtually no efforts in this regard.

CRITICAL IMPORTANCE OF REMITTANCES FOR KOSOVAR HOUSEHOLDS

According to our estimates, remittances in 2007 accounted for 15 percent of household expenditures in Kosova (IMF projections, February 2007, show that household consumption in Kosova for 2007 is 2,137 million Euro). In other words, almost every seventh Euro spent during 2007 came from remittances. These calculations illustrate the importance of remittances to meet household needs.

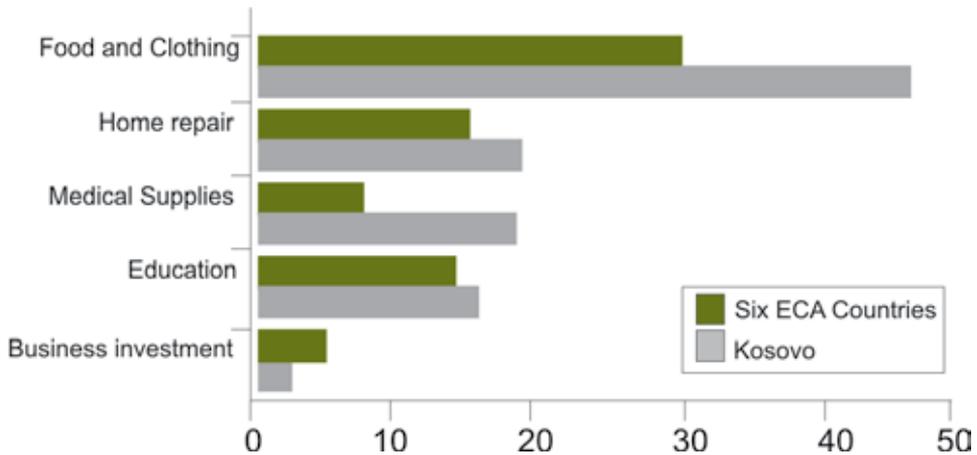
Figure 13 brings together the results from the household survey and the data for six ECA countries²⁰ on the expenditure patterns from remittances. In Kosova, as well as in these other ECA countries, much of the remittances are devoted to basic consumption needs, i.e., food and clothing. However, in Kosova over 45 percent are spent on the consumption of these goods, whereas other ECA countries the average is around 30 percent.²¹ This difference is suggestive of the high level of dependence of Kosovar households on remittances to meet their basic needs. Another difference spending patterns is that about a seventh of these funds are devoted to home repairs in the other ECA countries, versus about one fifth in Kosova. This may, in part, reflect continuing repairs from damages related to the 1999 War. The shares of remittance spending on education were nearly identical in Kosova and the other ECA countries.

19 Discussion at the Focus Group in Brussels (Annex 1)

20 These countries are: Bosnia and Herzegovina, Bulgaria, Georgia, Kyrgyz Republic, Romania and Tajikistan.

21 We should note that these differences may be attributed to the fact that the expenditure patterns from remittances in the case of ECA countries is broken down in greater details relative to the survey for Kosova (the following are some of the categories included in the case of ECA countries but omitted in the case of Kosova: savings, car/land purchases, etc.).

Figure 3: Comparison of the expenditure patterns from remittances in 6 ECA countries and Kosova



Source: The World Bank (2007) and Riinvest survey emigrants (2007)

Note: Six ECA countries: B&H, Bulgaria, Georgia, Kyrgyz Republic, Romania, and Tajikistan. Results for ECA countries are based surveys with returned migrants

In other ECA countries, 4 percent of remittances are used for business investments, versus 3 percent in Kosova. This difference is understandable bearing in mind that conditions for investing in Kosova are not very favorable.

According to the household survey an important destination of remittances is for medical purposes. Over 17 percent of remittances are spent by households on medical supplies or services (relative to around 7 percent in ECA countries). The high percentage devoted to medical supplies and services reflects the non-existence of health insurance mechanisms.

To summarise, unquestionably the effects of remittances and Diaspora Tourism are far reaching on Kosova's economy and on the welfares of recipient households. As has been stressed, above, the positive effects on the economy are reduced by the high share of imported goods which are purchased with remittances (for example, virtually all medicines are imported. In addition, a large share of construction material is also imported).

REMITTANCES AND POVERTY ALLEVIATION

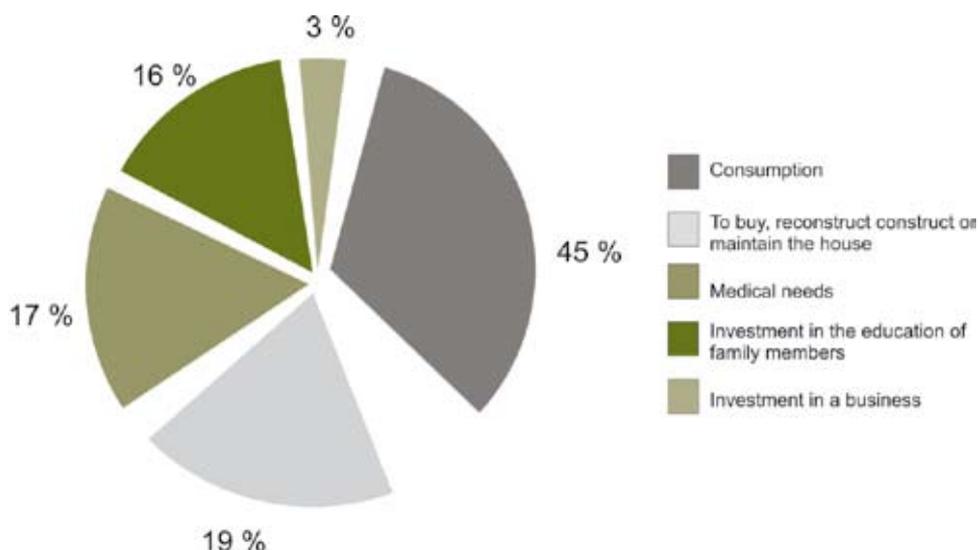
Poverty still represents one of the major problems facing the Kosova population. The proportion of the population living in poverty has increased from 37% in 2002 to 44% in 2003-2004, while the proportion of those living in extreme poverty has decreased from 15.2% to 14%, during the same period (SOK, 2005). The poverty profile shows that the most vulnerable groups include families with numerous children (three or more), those who are disabled or unemployed and female-headed households (WB, 2005).

Theory is inconclusive with regard to the impact of migration on poverty. One stream of the literature posits that emigration is one of the strategies to escape unemployment and poverty. Hence, emigration can alleviate poverty. The other strand of the literature argues that emigration, via the impact of remittances, benefits only the recipient households. Given that migration is costly, emigration is likely to be concentrated among families which have higher standards of living. As these, already richer households benefit from emigration, average incomes increase, but at the cost of increased income disparities within the population.

To gain insights regarding the impacts of emigration on poverty and income inequality in Kosova, the effects of remittances on overall household income has been analyzed using the household survey.

Without considering remittances, the average monthly income reported by households was €432. With remittances, this increases to €518. This impact is further supported by the fact that remittances make up around 16-17% of the monthly household income

To understand the aspects in what remittances impact on the socio-economic situation of receiving households, and their impact on the development of the home country, the expenditure pattern of remittances has been analyzed. Results from the household survey show that 45% are used for private consumption. The remainder is divided, almost evenly across house construction (19%), health needs (17%), and education (16%). A relatively small percentage (3%) of remittances is invested in entrepreneurial activities. Conclusively, remittances are used for entrepreneurship and hence for job creation, they help smooth private consumption and improve the living conditions, as well as overcome liquidity constraints for investment in education and health, which are, in turn, reflected in poverty alleviation for the beneficiaries.

Figure 4: The expenditure pattern of remittances

Riinvest Household Survey, 2007

To analyze the impact of remittances on income inequality, Skeldon (2003) suggests looking at the distribution of remittances by various quintiles in the population expressed in income intervals. Applying this method to the household data, as shown in the table below, the distribution of remittances, expressed as the percentage of households receiving remittances, by income levels is proportionally distributed over the different household income intervals, i.e. the population. Such a distribution reflects the impact of remittances on decreasing income inequality in the case of Kosova remittances.

Table 13: Percentage of total remittances received by income interval

Income interval (in Euros)	< 100	100-200	201-300	301-500	501-1000	1001-1500	>1501-2000
Percentage of total remittances received	17.66	18.35	24.73	24.74	7.38	3.43	3.7

Riinvest Household Survey, 2007

Furthermore, analyzing the distribution of the total amount of remittance by household income intervals as shown in table 14 we conclude that the majority of remittances are received by households living on less than 100€ per month, 17.66%, while almost 63.68% of the amount is received by those living on 101-500€ per month, i.e. those having a medium standard of living.²²

According to this statistical analysis, we may conclude that emigration has improved the economic situation of Kosovar households and helped alleviate poverty and smooth income inequality.

DIASPORA INVESTMENTS, CURRENT SITUATION AND POTENTIALS

Property, Businesses and other Assets in Kosova

A Diaspora can contribute to the origin country through remittances for consumption or investment by their families and direct investments of Diaspora in the origin country. In Kosova, the latter effect has been exercised through direct investments in the business and through their participation in the privatization process, either as sole or joint investors.

Data from the visitors' survey (see Table 15) indicate that one fourth of the respondents have invested in a business or infrastructure in Kosova.

Table 14: Have you invested in a business or infrastructure in Kosova?

	Percent %
Have invested	23.6
Have not invested	69.6
I may invest in the future	6.8
Total	100.0

Riinvest Visitors' Survey (2006)

Investment of Diaspora is segregated into the following: 15% have invested in business in Kosova; 79 percent have invested in the business premises and 6 percent have invested in housing. Around 86 percent of those who have invested rely on their relatives to manage in Kosova, seven percent declare to manage the businesses directly and travel frequently to Kosova, 3 percent employ non-relatives or have a managing board to run their businesses, and the rest indicated other ways of managing their business. This breakdown reflects the dominance of the family in the business culture of Kosova.

²² As shown in the text above, the average monthly household income without remittances is €432.

Emigrants and Entrepreneurship

As indicated above 15% of Diaspora's investment is in business activities. When asked about the relation between their private business and the profession gained in the host country the household survey shows that in 44% of the cases there is a link between the two, while in 56% of the cases any relation is denied. Given that there are a relatively large proportion of emigrants confirming this link, it may indicate that there is a transfer of human capital in addition to remittances taking place from host countries to Kosova via the emigrants' investments in private businesses.

According to the visitors survey, 43 percent reported monthly business incomes €1,000 or less; 34 percent between €1,001 and €3,000, the rest earn more than €3,000 euros. Given Kosova's limited capacities to invest and create job opportunities, investments by emigrants are more than welcome to ameliorate the situation. Thus, their investments should be considered as a great contribution to the Kosova economy. However, as argued above, given that the trade sector and that of restaurants are among the most developed sectors of the Kosova economy, their investment in other sectors could have a higher marginal benefits. Therefore, the Kosova institutions in cooperation with business associations should develop investment strategies and programs and present the same to emigrants for potential investments. In this regard, it is important for both Kosova institutions and business associations to try and establish more efficient communication and cooperation mechanisms in order to better utilize the potential of emigrants.

Emigrants' future contributions to the Kosova economy/ plans to invest in Kosova

Regarding emigrants' plans for future investment in Kosova, only a small proportion, 11%, confirmed that they are planning to invest in Kosova (Household Survey, 2007). Those planning to invest are mainly interested in production, 45%, which will be beneficial to improving the imbalance between the trade, production and service sectors. It is important to mention that some 30% of emigrants plan to invest in real estate either for business or private purposes. Investment plans in real estate for private purposes are justifiable since even eight years after the war there still are families with temporary shelter or without shelter.

Table 15: Reasons for not planning to invest in Kosova

Reasons not to invest	Percent %
1. Have not been informed by Kosova institutions on business conditions	30.5
2. Unfavorable fiscal policy	18.6
3. Corruption	26.0
4. Bureaucracy	2.8
5. Other	22.1
	100.0

Riinvest Household Survey, 2007

Given the large proportion of emigrants that deny having any plans for investment, it is of high importance to analyze the reasons for that. According to the household survey 2007, the main reasons for not planning to invest include the lack of information by Kosova institutions on business opportunities (30.5%), corruption (26%) and unfavorable fiscal policies (18.6%). Linked to this, asked about their perceptions for the business environment in Kosova around 28 percent of visitors from Diaspora indicate that they are not informed at all; half of the visitors note that the business environment is unfavorable whereas the rest consider the Kosova business environment as favorable for investment²³. As argued above, the Kosova institutions should consider this as a call for attention. In this regard, they should initiate campaigns for informing emigrants about investment opportunities. Furthermore, they should also inform emigrants about the different government agencies and business associations which can address their investment plans and also advise them on investment opportunities and other relevant issues. It is important that the government improves the efficiency of the existing relevant bodies for addressing the needs and requirements of potential emigrant investors.

Having analyzed the business and entrepreneurial activities of Diaspora in Kosova following we discuss Diaspora's investments in privatization process.

Diaspora and privatization

According to discussions with the KTA (Kosova Trust Agency) staff approximately it is estimated that around 10 percent of total investment in the privatization process in Kosova has been contributed by Diaspora²⁴. This contribution includes also investments from the companies owned by Diaspora abroad. Unfortunately, there are no data available on the form of the contribution by Diaspora segregated by their technology and skill transfer. To gain some insights into the nature

23 See our interview with Mr. Agim Kalenderi, a successful Kosovar businessman in Brussels, Annex 2.

24 This is an approximation and most likely underestimated since it is difficult to disentangle the contribution of the Diaspora in this process.

of Diaspora investments in Kosova, we interviewed officers in the three biggest companies privatized primarily by members of the Diaspora. A detailed description of these case studies is presented in Annex 2. In this section, we outline the main findings. Diasporan investors viewed their actions as supporting job creation and enhancing conditions of those already employed. In the spirit of the adage about teaching a man to fish, this was viewed as preferable to giving remittances to support directly household expenditures. Both to secure their investments and assist employees, Diasporan investors have emphasized technology transfers from more developed economies. For example, they have funded training courses for employees, mainly outside of Kosova. Through these efforts, as well as importing of high quality inputs, they believe that the quality of their products has improved.

Two out of three selected companies export their products, one of which is solely producing for export. This is particularly beneficial to Kosova's economy, considering its very poor trade balance. An important positive change in these privatized companies noted by the representatives of the interviewed companies is an improved work ethic and more modern approach to business.

Also of interest was to explore factors deterring or limiting investments and development in Kosova. The most frequently noted factor was the unresolved status of Kosova. Next in importance was 'unfair competition.' There is a perception that lack of controls, particularly with respect to customs, give importers unfair advantages over those attempting to produce within Kosova. In this regard, the owner of a fish processing factory stated the following: *"We do not claim that the government should restrict the competition from abroad but that the imported fish should be subject to sanitary inspection and properly inspected by customs. In this business the main problem is considered to be the lack of inspection of imported fish and corruption with theft, which reduces the selling price for fish and puts at disadvantage the domestic producers."* The lack of qualified staff is also listed as an impediment to business development.

Overall, the results of the case studies indicated a need for better support for investors from Diaspora. It should be a priority to the government to create a well functioning environment for businesses.

INSTITUTIONAL ASPECTS AND LINKAGES WITH AND WITHIN DIASPORA

LINKAGES WITH FAMILIES

Reflecting their strong family ties, 84% in the Visitors Survey indicated that they communicate with their friends and relatives in Kosova “very often” or “regularly.” This is consistent with the Household Survey in which 80% of respondents with family members abroad stated that they communicate with them “every day” or “once in a week.”

COMMUNICATION WITH AND SUPPORT FROM KOSOVAR AUTHORITIES

The research revealed considerable dissatisfaction with and criticism of Kosovar institutions by the Diaspora. There is a general belief that the needs of the Diaspora are largely ignored by the government and even the people, see Box 2. There is also a very high level of dissatisfaction with the overall situation in Kosova. Participants in different the focus groups, conducted in several European countries and in the U.S., were particularly vocal about being ignored by Kosovar Institutions. According to the focus groups members, Kosovar Institutions and citizens make the Diaspora people feel like “foreigners” in their own homeland.

Research results indicated that the Diaspora continues to be very much interested in Kosova’s socio-economic situation. Half of the Diasporas indicated that they are well informed about the socio-economic situation in Kosova, 45% indicated that they are “to some extent” or “little informed,” and 1.8% stated that they are “not at all” informed. The Diaspora’s main sources of information are television programs about Kosova and news from relatives within Kosova. Another important source is the Internet.

While Diasporans are very interested in obtaining information on developments in Kosova, Kosovar authorities and media devote little space to developments within the Diaspora. In the focus groups, several expressed their dissatisfaction with this situation. They would like to see more coverage in Kosova’s media on the lives, concerns, and achievements of the Diaspora.

BOX 2: THE DIASPORA AND ITS DISCONTENT

"Eight years after the war, nobody mentions or gives credit to the Diaspora for what they did for Kosova during the nineties... Nowadays, nobody thinks about us. We are foreigners in Germany and foreigners in Kosova".

A pensioner living in Germany.

"People in Kosova have started to isolate us, in the sense that they consider us to be foreigners in Kosova...I hear people saying: We cannot breathe from those coming from abroad (Diaspora) during the holidays. By this, they classify us as foreigners when we come to our own houses, our own families."

A family head living in London.

"There Is a lack of cultural events here in Diaspora. There are only music nights with singers coming from Kosova, which in most of the cases offer anti cultural values."

A family head living in Solothurn, Switzerland.

"We have spent 10-12 years helping Kosova, now it is time to do something for ourselves".

A family head living in Sweden.

"Kosovar TV should come and visit Diaspora,...They should meet with successful businessmen and youth here in order to be informed about our life and the conditions in which we live."

Young man living in Germany.

Source: Focus Groups' Meetings with Diaspora in Western European countries

PROBLEM AREAS

One of the main areas of dissatisfaction among the Diaspora relate to problems obtaining travel documents and arranging to vote, see Table 18. There is considerable resentment about the requirement to reapply for documentation every two years. This is an expensive and, for many, insulting requirement. In addition, Diasporans would like additional educational programs for their children when they visit Kosova. They would also welcome cultural events designed to include members of the Diaspora. In all of these regards, inefficiency of and poor attitude in the administration are blamed. Indeed, the Riinvest survey with Diaspora (December 2006) showed that two thirds consider the administration to be a problem.

The most common documents that Diaspora people use to travel to and from Kosova are documents from the host countries (38.2%), Kosova /UNMIK documents (24.2%) and Yugoslav documents (37.3%).

Table 16: Problems Faced by the Diaspora with Kosovar Institutions

	Very big problem	Serious problem	Problem	Unimportant problem	It is not a problem	Ref	Total
The issuing of the documents	31.4	17.6	14.5	11.8	24.0	0.6	100.0
Children's additional education	11.8	19.0	21.7	14.7	24.5	8.3	100.0
The Kosova Institutions' approach towards you	30.5	19.3	18.4	14.4	16.8	0.5	100.0

Riinvest Visitors' Survey, 2006

Administration Actions to Address the Concerns of the Diaspora

In response to Diaspora's dissatisfaction with inefficient and time consuming bureaucratic procedures, the Ministry of the Interior of Kosova, in cooperation with the Main Registration Office of UNMIK, in June 2007, developed expedited procedures for producing of the travel documents during June, July and August for Kosovars living abroad. Under this initiative, Kosovars living abroad are sent specially marked envelopes to indicate the applicant is from the Diaspora. Documents sent in these priority envelopes will be processed quickly, i.e., within 7 days or 5 working days. For applicants turning 16, the timeframe for getting the Identification Document and the Travel Document is 10 working days (5 days each). According to this program, the Ministry has also assigned contact persons to work with the applicants; moreover, the work of Municipal Centers for Civil Registration and Department for Travel Documents Production will be overseen by the monitoring group from the Ministry.²⁵

To address Diasporan educational concerns, in 2007, the Department for Non-Residential issues at the Ministry of Culture, Youth, Sports and Non-Residential Issues began organizing cultural events that are dedicated to the Diaspora.

²⁵ Interview with Eqrem Haziri, Head of the Department for Registration and Civil Issues, Ministry of Internal Affairs

According to the officials of the Department for Non-Residential issues, beginning in 2008, The Day for Kosova Migrants celebration will be expanded to a full week and will be called "The Days of the Kosova Migrants." During this week, there will be numerous cultural events, as well as sport activities, artists' meetings, and traditional dances. In addition, a Conference for Diaspora Investments in Kosova is also planned.

To improve communications with the Diaspora and reduce burdens associated with registrations and other paperwork, the Department for Non-Residential issues will establish a website for the Diaspora. This will enable, in particular, registration of the students and experts living abroad, thereby giving the Government better information about Kosovar experts and students living and studying abroad. Also, the Department will publish a brochure with information of interest to the Diaspora, which will be given to Diasporans entering the Kosova. Furthermore, in the near future, a special program within the public television of Kosova is planned to be dedicated to the Diaspora.²⁶

Kosovar officials interviewed during this research expressed their commitment to do more for the Diaspora. They noted, however, that they are constrained by budgetary limitations.

EDUCATION

Supplementary education in the Diaspora was pretty well organized during the 90s and prior to the 90s. It was organized with the support of Kosova institutions. This is not the case now. During the focus groups discussion this issue comes out as one of the key concerns. This is not surprising as the number of emigrants that live with their families and children has increased.²⁷ After 1999, the education of the youngsters in the area of mother language, history, national culture and arts remained a private issue of emigrants. (See focus group discussion with workers in Brussels and interview with a teacher in the box below). The visitor survey shows again that 56 % of respondents have children living in resident countries, but only 1/3 attends supplementary education.

To have a better insight into the effectiveness of supplementary education in several questions were asked with regard to the knowledge of their native language of emigrants' children. Yet, as shown in the table below, the majority of respondents, 61.3%, share the opinion that their children understand and speak very well their mother tongue. It can be concluded that emigrant children learn their mother tongue from their parents and from TV. However, they do not learn the language via institutional mechanisms. Furthermore, survey results show that for more than 70 % of emigrants the supplementary education in Albanian for their children consider to an important problem.

²⁶ Interview with Naim Dedushaj, head of the Department for non-residential issues at the Ministry for Culture, Youth, Sports and Non-residential Issues.

²⁷ Almost 68 % of respondents declared that they live with their families in resident countries (Rinvest Visitors Survey , 2007)

BOX 3: TEACHER

Among our Diaspora in Brussels we met a very enthusiast and hard working teacher. She teaches to 53 pupils in these courses: Albanian language, history, geography and arts. These courses are financed by parents. She complains that there education in our native language is not as it used to be. Before and during the 90s in Belgium there were around 40 teachers. Now this number is only 7-10. There is no cooperation with the Ministry in Kosova or Albania. An important factor are becoming regular visits back home during summer holidays but again they all need Albanian courses., which is neglected. (Interview with Nurije Rama, Brussels , July 2007)

The Ministry of Education, Science and Technology is in the process of building programs and activities on this issue.²⁸ The problem is that there is no budget line dedicated to support these activities. Participants in the focus group discussions considered appropriate organization of summer schools customized to the needs of the Diaspora youngsters exchange of students between Universities in Kosova and other universities students from Kosova.

INVOLVEMENT IN DEVELOPMENT OF GOVERNANCE IN KOSOVA

Most of the Diaspora people consider that their current organization in resident countries is less satisfactory than in the pre-war period, see Table 19. The main problem is that individuals are separated along political lines. Therefore, political divisiveness within Kosova works to the detriment of Diasporans in their efforts to communicate and work with one another. "Depolitization" of Diaspora organizations is seen as a precondition for better future organization.²⁹ Reflecting dissatisfaction with the current organizational structure, over half of the respondents (52.8%) declared that they are not a member of any associations in their host countries such as political parties, Kosova clubs, and culture or sport associations. For 54.0% of the Diaspora respondents the appropriate way for better organization and engagement of the Diaspora would be through better cooperation among the clubs in Diaspora, Kosova Institutions and the NGOs in Kosova is seen, and only for 16.7% of them believe that this could be achieved through the continuation of politically defined organizations.

²⁸ Interview with Mr. Gashi MEST (August 2008)

²⁹ Focus Groups' Discussions in Sweden (April 2007), Germany (June 2007).

Table 17: Diaspora Opinions Regarding Diaspora Organizations

Opinion Regarding Diaspora Organizations	Share of respondents
What would you suggest about the future organization/engagement of the Diaspora?	Percent
To continue their engagement mainly via the political party fractions	16.7
To start connecting the Diaspora clubs	22.6
Better cooperation among the clubs in the Diaspora, Kosova institutions and the NGOs in Kosova	53.9
Other	3.1
No answer	3.7
Total	100.0

Riinvest Visitors's Survey, 2006

"...Nowadays, our clubs are not attended often by us, as we (Diaspora) are dissatisfied with what is happening , ...none of the Kosova leaders have come here to meet us and to see more closely how are we doing. They come here to meet their political ends, but we are not interested to contribute in this way. Once we acted as one. Once Diaspora played a very positive role...maybe we could mobilize again for the better future of Kosova, but this is impossible for the time being, given the political chaos in Kosova,...we think that the organization that would organize and mobilize Diaspora should be an apolitical body." Focus Group Discussion with households in Germany (June 2007).

DIASPORA COMMUNITIES

Self –Image

Perceptions on the self image of the Kosovars living abroad were discussed during the focus group meetings with Diaspora in different countries (Germany, Switzerland, UK, Austria and Sweden). According to these discussions it is hard to make a general estimation of the self-image of the Diaspora, as they claim that their image in the host countries changes from one place/city to another and also through different periods of emigration. Nevertheless, there was a consensus among them that the Kosovar Diaspora was built and has evolved mainly through three periods:

1970s and 1980: Even though most of the Kosovars who emigrated were unqualified, they were known as hard working people.

1990s: During this period there was a huge influx of the asylum seekers from Kosova (mainly to Western Europe). The increase in the number of emigrants and press coverage of instances of lawbreaking Kosovar Albanian, created a very bad image for them.

After 1999: Just after the war, a great number of the asylum seekers were sent back home. Moreover, the Diaspora community started to contribute more to their own well being and integration into the societies of the host countries. Hence, starting from 2000, the image of the Kosovars in the host countries has been gradually improving.

According to the results derived from the focus group discussions, the image of Kosovar Albanians varies from city to city. In bigger cities, there is always a worse perception, as there seems to have more possibilities for occurrence of the lawbreaking cases. In smaller cities, they claim that "...one can hardly find a case where an Albanian is mentioned in a negative sense..." However, the Kosovar Diaspora feels that it is not being fairly portrayed by the media of the host countries. According to them, there is a tendency of the host country medias to create negative stereotypes about Kosovar Albanians, presenting them as law-breakers and religious fanatics.

"...when the German media report about Kosovar Albanians, usually they present a woman with a scarf or a view with a mosque...this is an image that should be changed..."

Moreover, the Diaspora in Belgium claim not to have a good image there. According to them, negative stories about the Kosovar migrants are presented all the time by the media and nobody reacts about this. There are no organized activities here or in Kosova that would serve to improve their image.

The bad image of the Kosovars during the 1990s could also be attributed Serbian propaganda. This propaganda was easier to be dispersed given that Kosova did not have a diplomatic representation.³⁰

The case of the Kosovar Diaspora in the UK seems different from those in other Western European countries. This Diaspora is relatively new and for several reasons they consider their self image as good. First, the Kosovar Diaspora in UK is very small compared to other communities; second, due to the war of 1999 they have been treated well, and have not caused troubles during their stay in UK. Furthermore, the discussants assert that, after the war, Kosovars refugees found considerable favour among the British when they peaceably and willingly returned home.³¹

30 Focus Groups' Discussions with households in Switzerland (June 2007).

31 According to the focus group members, there was a problem related to the worsening of the image of the Kosovar Albanians created by the Albanians from

In sum, Kosovar Institutions and the media should contribute more in improving of the image of its Diaspora. The Kosovar media should play an important role. They should look more on the success stories and the breadth of the contribution of the Kosovar Diaspora. In this vein, the Diaspora should not be seen as an isolated group of society that produces only crime to the host societies, but it should be rather seen as an important contributor to the societies of the host countries as well as to their countries of origin. Diasporan youths should be educated to integrate into and contribute to host the society. To facilitate this, Associations in host countries should work more closely with these youngsters.³²

TOWARDS BUILDING ACTIVE EMIGRATION POLICIES

Emigration potential

Pressures to emigrate appear to be rising, though modestly. In 2005, 23.7% of respondents in the Riinvest Household survey indicated their intentions to emigrate. In 2007, 26.2% of respondents said they hoped to emigrate.

REASONS FOR EMIGRATING

Economic reasons are the primary motivation for emigrating. Fifty-five percent of those hoping to emigrate indicated dissatisfaction with the current economic situation of their family as the main reason and another 21.5% stated that the general economic situation in Kosova was the major reason for their readiness to emigrate, see Table 20.

In 1999, Economic reasons were the most frequently cited motivation for emigration, as it is today. However in 1999, just over a quarter of those hoping to emigrate indicated dissatisfaction with the political situation as the primary reason. In sharp contrast, in 2007, less than 2 percent of the respondents saw the political situation as the primary motivation for their hopes to emigrate.

Albania. Initially, they (Albanians from Albania) were presenting their selves as Kosovars, to get an easier settlement in UK. However, this phenomenon was identified and was gradually eliminated by the UK authorities.

³² Focus group discussions with households in Sweden (March 2007).

Table 18: Primary Reasons for Wishing to Emigrate

	Percent
Dissatisfaction with the current economic situation of the family	63.26
Family reunification	7.65
Dissatisfaction with the current economic situation	24.66
Dissatisfaction with the current political situation	1.7
Other	2.7
	100.0

Riinvest Household Survey, 2007

It is not surprising that many Kosovars intend to emigrate because of the economic situation. The percentage of the Kosova population living in poverty has increased from 37% to 44% during the period 200-2004;³³ the Kosova Human Development Index of 0.74 in 2006, although it has recorded improvement since 2001, was the lowest in the Balkans; and the unemployment rate is the highest in the region reaching approximately 41.4%.³⁴ With 25,000 to 30,000 new entrants into the labor market annually, only about a third of new entrants are able to find employment.

Target countries

According to the household survey 2007, Germany and Switzerland, the two main host countries of the existing Diaspora and are also the main target countries for those interested in emigrating, 27.7%, and 21.4% respectively, see Table 31.

Table 19: Intended Destinations of Those Intending to Emigrate

	Percent
Germany	29.98
Switzerland	23.18
USA	14.42
UK	8.91
Austria	5.83
Other	17.67
	100.0

Riinvest Household Survey, 2007

33 SOK, HBS 2002 and HBS 2003/2004

34 SOK, Labor Market Statistics, 2005

The facts that Germany and Switzerland are both the main resident countries of the existing Diaspora and the main target countries of those wanting to emigrate is consistent with the hypothesis that networks represent a very important pull factor.

ACTIVE MIGRATION POLICIES TOWARD EU LABOR MARKET

Currently Kosovo is lacking emigration policies. With its high unemployment rate (around 40%) and high emigration potential (26% of surveyed Riinvest Household Survey and about 49.8% between the age of 20 – 35 years (EWR #18) intend to emigrate almost exclusively because of economic situation in their families. This might be worsened if conditions for economic growth and new jobs generation are not substantially improved. Thus, an important component of labour market policies in Kosovo should be the cooperation with host countries to prevent involuntary returns of emigrants that have not yet resolved their legal status until conditions for employment in Kosovo are improved substantially.

Analyses of future prospects shows that with the exception of Albania and Kosovo other EU countries forecast population declines until 2050. This will result in deficits in the working-age population, increasing demands for imported labor. Net migration is projected in EU 13.5 million and in Russia 5.4 million.³⁵

Currently, in the EU labour market there are gaps in satisfying needs for some professions like workers in construction, nursery in the hospitals, health care for older persons and some other in service sector. ICT sector is also lacking for skilled work force. Call centers and other outsourcing possibilities might be complementary to this. Examples of India and Poland in this area might be useful. In India, there are specialised institutions for training to meet demand for temporary/seasonal employment abroad and outsourcing.³⁶

There is an opportunity, therefore, for surplus Kosovar workers to be employed to cover labor deficits in Western Europe. This would be to the mutual benefit of Kosovars and the destination societies. Exploiting this opportunity, however, will require implementation appropriate training and education programs consistent with the skill needs in European countries. The Ministry of Education and Ministry of Labour in cooperation with donors and respective countries should develop specific programs and training system to use these opportunities.

In this situation, creating opportunities for institutionally organized temporary (circular) migration and employment, especially in EU countries becomes an urgent issue. After resolving the political status and once the process of EU integration starts, Kosovo will become eligible to participate in EU quotas for temporary employment (circular emigration). Currently, there is number of Kosovo

³⁵ Overview of Migration in Europe and Central Asia 1990- 2004 (World Bank 52-55)!

³⁶ Interviews with Mr Vim Peeters (Belgium Liaison Office in Prishtina) and Ms. Gloria di Luca (Italian Liaison Office in Prishtina)

sovars temporarily working in Slovenia in the construction sector. Given expected deficits for workers in the EU labour market during next decades, temporary emigration and employment of Kosovars would reduce the high pressures in Kosovo labour market. As mentioned above, this opportunity should be addressed with active labour market policies especially through developing and implementing appropriate flexible training and educational programs for meeting the skills demand of EU labour markets.

ANNEX 1

EXTRACTS FROM FOCUS GROUP DISCUSSIONS

Lack of a consistent policies and organization of Diaspora (Intellectual Focus Groups)

The group of high-skilled intellectuals claim that Kosova's institutions have not supported them. The focus group in Vienna stated that relations with intellectuals in emigration/ Diaspora are sporadic and unorganized. In addition, this group of experts noted that in cases of business arrangements, Kosovans ask or prefer more to meet international experts rather than Kosovans living abroad, even if these Diasporans have the requisite qualifications. In addition to this, there are administrative obstacles to regulate documentation and also for notification of graduation diplomas reached at foreign universities.

"Some time ago some Kosovans initiated a project involving Diaspora experts which was sponsored by the Kosova Foundation. This project operated for over three years. However, there now are no activities, only a Website. Diaspora members believe that similar initiatives could play an important role as a communication and linking mechanism" (Focus group in London).

Similarly, The focus group in Brussels suggests that the Diaspora has considerable, untapped, potential which could be used for Kosova's development. They recommend employing Diasporan experts in the public sector in Kosova. This will be beneficial for enhancing the government's expertise and capacities with regard to tax collection, payment for public services, and developing anticorruption programs.

Remittances, their trend and perspective

Members of the Diaspora state that although the unemployment rate in Kosova is very high, still there are job opportunities, especially compared to 1990s. Diasporans believe that remittances will decline in the future. Reasons for the declines are the reunification of Diaspora with their family members, and employment of their family members in Kosova. However, the financial state of their families in Kosova remain matters of concern. One of the participants says that *'we have spent 10-12 years helping Kosova and now it is time that we do something for ourselves'*. (Family Heads in Sweden).

Across the focus groups, there was the belief that remittances would continue for the foreseeable future. at the same or slightly lower levels. There is also the sentiment that continued support will, primarily, be focused on helping family members, rather than for broader social assistance.

Business networks

It was asserted, in the focus groups, that development and strengthening of business networks among Kosovars and their businesses abroad with associations in Kosova could strengthen possibilities for lobbying. This could promote investment, trade, and cooperation in other fields including cooperation between foreign and Kosovar universities. Participants recommended that better investment conditions are needed in order to increase foreign direct investment. (Household Heads in Sweden)

Institutions and broken ties with Kosova (How to Get Documents Ready)

Among all participants a common complaint was dissatisfaction with Kosova's institutions. They feel that the Diaspora is being ignored by Kosova's institutions and consider that Kosova's institutions are not using the Diaspora's potential. Furthermore they feel offended in Kosova where they are identified as foreigners.

An important issue discussed was with regard to travel and other documentation. Diasporans complained about the long queues at the issuing offices and a long period issuing process. They indicate that around 20-30 percent of the Diaspora have travel difficulties. They have to spend a significant part of their holidays trying to rectify their documentation. Diasporans ask for less cumbersome, faster procedures for arranging travel documentation, particularly during the summer and winter holidays when most visits by the Diaspora occurs.

Participants complain that there is a dearth of cultural activities, with the exception of some evening events featuring Kosova's pop folk music. Again, they feel that they are being ignored by Kosova's government and people. This lowers the motivation of the Diaspora to provide financial and other support.

"The support towards Diasporais not only weak, effectively it does not exist at all.... we are left without any support and care: we are not supported by Kosova's institutions and everyone has forgotten that we are the Diaspora that once was very organised and can still contribute a lot' (Business man in Germany.)

"Eight years until now and no one mentions or even acknowledges that we are the ones who supported Kosova and our families. I will continue supporting my family but will not grant even a cent for institutions in Kosova"

"None of the leaders or from Kosova's institutions visit us. And if they come, they meet only with their political affiliates. We are treated as foreigners in Kosova and similarly and forever will be considered in the countries we live."

"... now Diaspora clubs are not visited as they used to, we are disappointed. None of the Kosova leaders visit and inform us about what is happening in Kosova. Once we were united and operated very well. The war was a hard task we all had and the Diaspora played an important role to win the war. We could get organized again to help Kosova but think that this is not possible considering the political chaos in Kosova. I think that the structure for organizing the Diaspora needs to be politically independent from political parties and political fragmentation' ((Household Heads in Germany).

"We are distressed about losing ties with our culture and we are leaving with the sense that there is no government to protect us." (Household Heads in Brussels).

Diaspora feels uncomfortable with funny nicknames given to them by Kosovans and never being thanked for all that they did supporting Kosova. They note that they are recognised as foreigners rather than Kosovans (*Second/Third Generation Sweden*). Often they hear them saying *'not those from abroad came and no place to go out. "After we return from Kosova we are more dissatisfied , any survey will show that" (Household Heads, London) There is an impression that sometimes experts in Diaspora are considered as a competition and threat rather than as a potential partners and collaborators.*

Diaspora tourism

Diasporans are calling for measures to facilitate more pleasant holidays in Kosova. They believe that, having done so much for Kosova, Kosova should give them better treatment and services. The summer holidays are intended to strengthen family ties and, in particular, educate Diasporan children about their homeland and its language, culture, and history. Moreover, serving these needs of the Diaspora could be a business opportunity for domestic firms. (Household Heads –London)

According to a travel agency in Brussels, there are around 60,000 Kosovans in Belgium who travel to Kosova at least once a year. Around 20% travel by plane and at least 60% of those with travel by car. One visit is estimated to cost the Diaspora between 4,500-5,000 euros.

Businesses and Communication

One of the businessmen declares that due to unsatisfactory communication with institutions in Kosova, some projects have failed. "Because of this and despite my desire to invest in Kosova, I have decided to invest in Switzerland." There is a need for institutional support for investments, *"we went to Kosova for a potential investment and spent three days in a row and no one had time for us."* Therefore they claim that there is a necessity for the Diaspora to be informed about development programmes. For example, despite their large contributions, they felt neglected during the privatization process.

Taxes are seen as being high relative to other countries in the region. Another important barrier to development is unfair market competition. Some participants suggested foundation of a **development fund** from the Diaspora, and in addition to that establishment of a coordination centre for Diaspora in Kosova.

Law enforcement and corruption

A major barrier to Diaspora's investment is the lack of law enforcement and continued corruption. The presence of corruption is a major deterrent for Diasporan investment. Nepotism is also regarded as a problem in Kosova's institutions, a problem which needs to be addressed. Inadequate health and education systems are also noted as factors that discourage involvement with Kosova. (Brussels)

Kosova's image

Participants stated that in small towns or cities Kosova Albanians have a good image but not in big communities. Some believe that this is due to past and, possibly, ongoing propaganda from Serbia. *'Whenever Kosova Albanians are mentioned in the media a picture of a woman with scarf is shown, meaning that we are always associated with Muslims' (II/III Generation in Switzerland)*. The mass media use to present false image, but there is no proper reaction neither by Kosovan institutions neither by communities in Diaspora. Our communities should develop a lobbying role and interact more with local communities. This could contribute to the improvement of Kosova image.

ANNEX 2: CASE STUDIES OF THREE FIRMS PRIVATIZED BY THE DIASPORA

Company 1: Trofta

Place: Istog

Privatised: 2003

Size: Medium (80-100 employees)

Industry: Fishing, Hotels, and restaurants.

Interviewed: The owner (from Diaspora).

Company Trofta was privatised in the second wave of privatization. The company consists of a fish cultivation unit, a hotel and a restaurant. The owner estimates that approximately half of Kosova's demand for fish is covered by imports and the rest by domestic consumption. Trofta supplies around 90 percent of the domestically produced fish. The owner of Trofta has resided in Brussels since 1981. He completed the faculty of agronomy in Prishtina. In Brussels, the owner of Trofta owns vehicle service centers and garages.

When privatisation process started in Kosova, the owner decided to buy the Trofta Company, which is situated in the town where he grew up. The main reason for the investment, was his wish to contribute to Kosova's economic development. In addition to contributing directly, he hoped that his purchase would send a signal to foreign investors that Kosova is a safe and worthwhile place in which to invest. Due to bureaucratic problems in the Kosova Trust Company, no improvements could be made on the firm for seven months following the purchase. After this period of confusion, the owner was permitted to start the operations. Since the company was at a very bad state, the owner had to make additional investments in the hotel and fish cultivation. These investments total around two and a half million Euros. The investments focused on reconstruction of the properties and introduction of new technologies, mainly imported from abroad. The company is managed by owner's two brothers, with frequent visits of the owner. The company currently employs 80 employees. During the summer, this increases to 100 employees. Employees in the production unit have been trained in Germany and Denmark.

Food and concentrates for the fish cultivation are imported from the Danish, which is the leading producer of products for fish. This business is new to the owner. To ensure that the best practices are used, the owner uses consultancy services from Germany. Additionally, the fish cultivation process benefited from owner's visits to modern fish factories in France and Belgium. These efforts have sharply lowered mortality rates, particularly among fish under 5 months of age, and increased capacity from 80 tonnes, in 2004, to over 300 tonnes.

The owner stated that besides new technologies and work practices, he introduced a new working culture and mentality, which stress quality and responsibility among all workers. He believes that it has achieved to bring this about at the company.

When asked whether it was/is worth investing in Kosova, the owner answered the following: "It is worth it from the point of view that it may positively influence others from abroad to make investments, but, on the other hand, it is not worth investing since the market in Kosova is very thin. An advantage of operating in Kosova, the owner notes is the favorable fiscal policy, compared to business activities in Brussels."

When asked about barriers to business development in Kosova, the owner stated that the main problem was the unresolved status of Kosova. The next most serious problem was unfair competition. The owner does not believe that the government should restrict competition from abroad but that imported fish should be subject to sanitary inspection by customs and other border control authorities. He asserted that the lack of inspection of imported fish and corruption reduces the selling price for fish and puts at disadvantage the domestic producers, such as Trofta. Finally, the owner indicated that a lack of qualified staff is another barrier to development.

Company 2: Kosova Steel

Place: Peje

Privatised: 2005

Size: Medium (80 employees)

Industry: Manufacture of basic metal and Manufacture of machinery and equipment.

Interviewed:

Kosovo Steel (formerly Zastava) was privatised in the ninth wave of privatisation in December 2005. According to the owner the company, it is the biggest facility for metal cutting in the Balkans and also has the biggest cutter in the Balkans. The company is mainly oriented for serving export markets, the most important being the manufacture of metal parts for factories in Italy. Although the demand in Kosova for its products is considered as low, the firm does make a few products for domestic consumption, such as parts for tractors, snow cleaners and garbage containers.

The owner is from Kosova and has been living in the US since 1988. The owner studied mathematics in high school in Prishtina and undertook business training courses in the US. In the US, the owner owns a leasing agency, which he has operated since 1994. Although living with his family in the US for many years and having a successful business, he was willing to contribute to Kosova's development and purchased Kosova Steel. The company is managed by his brother, who lives in Peja and also by the owner, through frequent visits to the company, five to ten times a year.

To start production, the owner had to make additional investments amounting to approximately one million Euros. The majority of the staff were kept on from the former company because of their experience in this industry. In order to increase the productivity, employees were given training in Italy and experts from Germany have been engaged for consultancy support. Due to low demands in Kosova, the business is mainly oriented towards international market, particu-

larly Italy. The company has agreements with companies in Italy to sell products on the contingent basis.

The owner indicates that their main problem is the unresolved status of Kosova. Other problems include the lack of raw material supplies, shortage of skilled labour, and poor infrastructure, particularly poor rail service. To address needs for skilled labour, the company plans to establish a private professional school to equip youngsters with necessary skills to operate in this industry.

Company 3: Kombinati i Drurit (Wood Combine)

Place: Peje

Privatised: 2003

Size: Medium (100-150 employees)

Industry: Manufacture of wood and wood products

Interviewed: Company's representative.

Wood Combine has been privatised in 2003. It produces wooden boards and beds for export markets. The owners of the factory have lived in the USA for over 30 years. The owners were educated in the US and have successful businesses in which they lease apartments and houses. Their primary motivation for investing in Kosova was to assist in its development. The firm is managed by the staff living in Peja, and the owners visit Kosova three to four times a year. Both of the owners had no previous experience in this industry.

Although the company was privatised in 2003, it operations in 2006. The reason for this late start up was the need to secure buyers for its products before committing to production. During this preparation period, the company employed consultants from Germany to provide assistance on how to best utilise and upgrade the existing machinery and enhance the quality of products.

The raw material is secured in the Kosova market. Because of thin domestic markets, Wood Combine has been primarily oriented towards the international market. The company exports wooden boards to Israel, China and Dubai, and beds to Switzerland, Italy, Austria, Germany, Slovakia and Greece.

The owners are satisfied with the business and expect continued growth as their reputation builds and they effect improvements in the quality of their products. As with the other owners interviewed, the owners believe that the unresolved status of Kosova is their biggest problem. Another difficulty is the need to rent foreign trucks to handle their products as none are available locally.

A POTENTIAL INVESTOR FROM THE DIASPORA, BUT RELUCTANT TO INVEST IN KOSOVA

A 46 years old, Agim Kalenderi from Prizren, 26 years ago left Kosova and went to Brussels. The reason for his decision to migrate was the lack of economic perspective in Kosova. After two years in Brussels he started a family and got to know the owner of the well-known company in fruit and vegetable trading in Brussels, the "Van de Castele nv". This company was in a need for a cooperator in Turkey, which position was given to Agim. After four years of hard work, Agim became a sales director of this company. At that time the company became integrated with "UNIVEG Group nv" another big company in trading fruits and vegetables in Europe, with an annual turnover of three billion euros. Agim was offered a position of the managing director. Being successful in this sector, Agim established his own company "New Fruit Company- NFC" in the same sector. The NFC Company employs 10 employees, all of them from Kosova. The annual turnover of this company is around 50 million euros and is among the main suppliers of retail and wholesale markets with fruits and vegetables in Belgium. All employees have their families in Belgium and on average earn around 20% more than employees employed in similar companies.

We asked Agim, what are the relations with Kosova? Agim answered: "very emotional". He looks after his retired parents and has built a very beautiful house in Prizren and a summer house in Durrës. Agim visits his family in Kosova every 4-5 months and is concerned and worried about Kosova. However, Agim notes that thinking rationally as one businessman is ought to when deciding whether or not to invest, Agim notes that he still hesitates to invest in Kosova. The main reasons for his reluctance to invest in Kosova are the following: the under-developed infrastructure, unfair competition and informal economy. Agim notes that he is not ready to manage a business in Kosova since there is a lack of legal and physical security and also because of the presence of unfair competition. Additionally he considers that there is a very slow and insufficient progress fighting these problems. With regard to taxes, Agim said that "tax rates in Kosova are more favorable than in Brussels, but the problem is that we need to pay 26% at the border prior to any economic activity" which Agim considers as very strange for a country that needs a lot of investments and which needs to be changed.

Besides his success in business, Agim still hesitates to invest in Kosova. However, he has decided to send his son to study in Kosova, the reason being that he wants that his son improves the native language and is related to his homeland Kosova

(An interview with Mr. Agim Kalenderi, the owner of "New Fruit co." in Brussels, July 2007)

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ABOUT FORUM 2015

Forum 2015 is a project of Kosovo SOROS Foundation and RIINVEST Institute that offers expertise and advocates development issues in Kosovo. Forum 2015 through its activities stimulates the debate on different topics and promotes the development of an advanced political culture. In broader perspective, Forum 2015 aims to prepare Kosovo for Euro-Atlantic integration.

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