Diaspora as a driving force for development in Kosovo: Myth or Reality?

SUMMARY
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1. Introduction

There is a growing expectation among policy-makers, donor agencies, development specialists and the wider informed public in Kosovo that the Diaspora has a significant role to play in developing Kosovo. However, very few studies have been carried out with the ambition of understanding the issue of migration and development of Kosovo. Previous academic work on migration and development suggests that migration can have a range of positive impacts on the development of migrants' country of origin, such as reduction of poverty and promotion of employment, new economic activities, investments and trade, increased tourism and consumption.

In December 2007, the Swiss Agency for Development and Cooperation (SDC) in Pristina commissioned Forum for Democratic Initiatives (FID) to implement the project “Assessing the Impact of Migration on Kosovo's Development”, with the overall goal to initiate the policy debate in Kosovo about the impact of migration on Kosovo's development by providing accurate and reliable information on the phenomenon.

The study combined quantitative and qualitative research methods. Most of the research activities was conducted in Kosovo, and some in Switzerland. Focus group discussions in Kosovo and Switzerland helped to understand the investment practices of members of the Diaspora, as well as the perspective of the local population in Kosovo. A national survey of businesses financed partly by the Diaspora was conducted. Additionally, data from the Living Standards Measurement Study Survey (LSMS), conducted in the year 2000 by the Statistical Office of Kosovo and the World Bank, was analysed with regard to remittances. The aim was to measure not only the level but also the usage of remittances on household and community levels. Additionally, current trends, needs and concerns of members of the Diaspora in Switzerland were assessed.

Results in Brief

- Remittances from the Diaspora are used mainly for consumption and luxury goods
- Only a very small percentage of remittances are used for educational purposes
- The level of Diaspora investment in Kosovo remains lower than expected
- Members of the Diaspora are increasingly focusing their efforts on integration in the host country, as opposed to investment in Kosovo
- The support received from the Diaspora to start up businesses in Kosovo is twelve-fold higher than that received from international development agencies
2. Understanding the Kosovar Diaspora: Where “Gastarbeiter” Mix with Political Dissidents and War Refugees

Among some Kosovar Albanians historically there was a saying that wishes each family six sons: "Two to go abroad and work, two to stay home and care for the family, and two to die for the country, fighting for freedom". This saying suggests that the Kosovar Albanians realized that migration will be part of their life and that part of theirs and their family development will come through emigration.

WAVES OF MIGRATION FROM KOSOVO

It is hard to make any written accounts for migration from Kosovo before 1945. During the first years of Socialist Federal Republic of Yugoslavia's (SFRY) existence (1945-64), the country was closed in terms of emigration, however, many Kosovar Albanians fled to Turkey due to repressive policies during the early 1960s.

Yugoslav economic emigration to Switzerland, and to other Western European countries, started in the late 1960s and was caused by a low level of industrial development and a high unemployment rate. The majority of immigrants during this period came from rural parts of Kosovo and were unqualified workers with limited education.

The 1980s wave of emigration was prompted by a political crackdown after the Albanian demonstrations of 1981 and political unrest following the abolition of Kosovo's autonomous status in 1989, but also due to persistent underdevelopment. Members of the nationalist elite among Albanian students were increasingly persecuted and forced to leave Kosovo. Europe, and above all Switzerland, with its already established Albanian Diaspora, witnessed the first asylum seekers from Kosovo. Better-educated, skilled and better off Kosovar Albanians from urban areas, including young men seeking to avoid military service in the Yugoslav army during the Balkan wars, also left Kosovo during the early 1990s, of which the largest group settled in the UK.

The civil wars within the different republics of Former Yugoslavia and the outbreak of the war in Kosovo in 1998 led to a phase of mass emigration and immigration to Europe and other countries. While the majority of refugees remained in Albania, Macedonia and Montenegro, a considerable number of them moved to over 25 countries around the world. Usually, these resettlements were seen by receiving countries as temporary, and the refugees were treated as such.
During the escalation of violence in Kosovo many European countries, Germany and Switzerland in particular, issued Kosovo Albanians provisional or permanent asylum status. After the end of Serbian control of Kosovo in 1999 many chose to return and/or were repatriated and regular migration became severely restricted, usually to family reunification policies.

SIZE OF THE DIASPORA

There is still no reliable census data on migration in Kosovo, therefore it remains extremely hard to obtain accurate information about the Kosovar Diaspora. Its exact size remains unknown. A common yet disputed estimate is 800,000 people. Germany with approximately 270,000 and Switzerland with approximately 160,000 Kosovar Albanians host the biggest established communities. The figure for Switzerland includes naturalized members of the Kosovo Diaspora. The other larger communities are established in The United States, the Scandinavian countries, United Kingdom, France, Belgium and Austria, while smaller communities are found as far as Australia and New Zealand. Assuming that the estimated size of the Diaspora is accurate and the estimation of the Statistical Office in Kosovo that 2.1 million inhabitants live in Kosovo today is also correct, it can be concluded that nearly every third Kosovar today lives abroad.

According to the LSMS study, every third household in Kosovo has at least one family member living abroad. Additionally, a survey of the United Nations Population Fund (UNFPA) from 2003 showed that over 56 percent of the absent population was between the ages of 20 and 40, and only 5 percent was aged 50 or over. This means that the majority of the Kosovar Diaspora consists of active population, who are able to send remittances home.

CHARACTERISTICS OF THE KOSOVO DIASPORA IN SWITZERLAND

Most Kosovar Albanians who arrived in Switzerland were initially seasonal workers and who were not thought of as persons destined for integration in the host society. A high proportion of them are unqualified labour workers with limited financial resources to invest in Kosovo. Currently, the main concerns of the members of the Kosovar Diaspora who were interviewed for this study are education of their children and investment in a house in Switzerland. It appears that their efforts are more concentrated on improvement of their living standards and integration in the host country and far less on remitting or investing in Kosovo.
The integration process however is by no means an easy one. Based on self-declaration of Diaspora members and confirmed by domestic studies, Kosovar Albanians often must battle a host of negative stereotypes and are not well integrated in the labour market.

3. Remittances
Reducing Poverty or Increasing Luxury?

The LSMS Survey from the year 2000 examined 2,880 households in Kosovo. According to the survey, fewer than 30% of the households in Kosovo have access to international remittances – in the form of money or goods. There are more beneficiaries of remittances in rural areas than in urban ones (33% as opposed to 26%). This is primarily explained by the higher numbers of migrants from rural areas, but also by the larger average size of the household in rural areas (6.9 persons per household as opposed to 5.5 persons).

The annual amount received may vary from less than 500 Euros (20%) to more than 5,000 Euros (15%) and most of the international transfers came from Germany (49%) and Switzerland (23%) and other European countries (20%).

It is estimated that the total amount of remittances in 2000 was approximately 550 million Deutsche Marks, which represented at the period of the survey 275 million Euros. Adding to this amount approximately 80 million DM in goods (or 40 million Euros), and taking into account Kosovo's GDP of 3 billion DM (without remittances), it follows that remittances made up 17.5% of the country's GDP in the year 2000.

The Central Bank of Kosovo projects remittances to reach 535.8 million Euros in 2008. During 2009 it is expected that remittances decrease following the economic and financial crises affecting the Kosovar Diaspora in Western countries.
THE IMPACT OF MIGRATION AND REMITTANCES ON HOUSEHOLDS

According to the LSMS Survey, having a migrant in the family affects living conditions. There is a rather strong relationship, at least among rural households, between the presence of an international migrant and the availability of goods.

Rural households with a migrant family member are more likely than those without a migrant to own a car or a truck (56% v. 37.3%) a refrigerator (72.3% v. 60%) or an electric or gas stove (63.7% v. 48.1%). By contrast, differences are not frequently significant in urban areas. Differences are more systematic for goods and equipment that relate to the general standard of living or to leisure activities, than to basic goods.

For the whole of Kosovo, the most significant differences between households that receive remittances and those that do not are observed for electronic equipment such as satellite dishes, cellular phones, cameras, videos, etc., and also jewellery. This seems to demonstrate that the receipt of remittances is followed by investments in leisure goods. This trend is stronger in urban areas.

According to the data, the proportion of remittances used for education is low (3% of children are concerned). Such a result confirms the fact that remittances in Kosovo are essentially used to finance consumption goods.

TRENDS REGARDING REMITTANCES FROM THE KOSOVO DIASPORA

Discussions in focus groups in Switzerland about the current trends regarding remittances revealed that the sense of obligation to the family has to a certain extent remained among members of the Diaspora. The majority are still remitting in Kosovo albeit with decreased amounts. One of the main reasons mentioned was the fact that many of them have brought their closest family to Switzerland and therefore reduced the number of dependents living in Kosovo.

Another factor that seems to have affected remittance behaviour is related to improved travel and communication possibilities. This made many members of the Diaspora aware that the money they remit to Kosovo is not used properly and that in many cases it is used for luxury goods and leisure time that is not even available to them.

Finally, having shifted their priorities towards better integration in the host society they spend more money to back up their integration efforts, such as education of their children and investments in a house in Switzerland, and cannot afford sending money as they did before.
4. Direct investments
Less than Expected with no Signs of Improvement

Migrants and the Diaspora can contribute to the economic development in countries of origin in many ways other than by sending remittances alone. They might also contribute to economic growth through setting up enterprises themselves or helping families and relatives to do so through beneficial transfer of know-how and competencies - the so-called 'brain gain'.

500 business owners in seven regions of Kosovo were interviewed in order to understand the actual levels of monetary and in-kind investment of the Diaspora in establishing small and medium enterprises (SMEs) in Kosovo. 25% of all businesses in Kosovo were set up with partial or complete funds generated from work abroad (either from the business owner's own work, work of their family members or both). In detail, the sources of support are as follows:
Switzerland and Germany are the main countries where Kosovars worked prior to starting up their businesses in Kosovo. The average time worked abroad was 7.5 years.

Countries where Business Owners Worked Prior to Starting their Business in Kosovo

- Switzerland 29%
- Germany 28%
- United Kingdom 4%
- Sweden 3%
- Austria 3%
- USA 2%
- Italy 1%
- Croatia 1%
- Canada 1%
- Did not specify a country 2%
- Multiple answers 21%
- Other countries 5%

Focus Group Discussions in Kosovo
Support from family members that have worked in the Diaspora comes in different forms, mostly through cash, but also through joint investments and support in the form of machinery and goods. The table shows the different forms of support received from family Diaspora members.

In terms of the level of importance that the support from the Diaspora continues to have for their business, only 14.8% of business owners revealed that this link continues to be very important for their entrepreneurship.
EXPERIENCE, KNOWLEDGE, SKILLS AND EDUCATION

A stay abroad does not only lead to savings that can be used to start businesses, but also provides the migrant with acquired experience and skills. Of the owners that have worked abroad, 89.6% consider that they gained experience, knowledge, skills or education during their time outside Kosovo. Business owners also confirmed that the same applies to 21% of their workers.

SUPPORT FROM INTERNATIONAL ORGANIZATIONS AND NATIONAL GOVERNMENT

The study also compares migration as a tool for business development with other forms of development interventions such as support from international governmental and nongovernmental organizations and support from the national government. It revealed that the support received from the Diaspora to start up SMEs in Kosovo was twelve-fold higher than that received from international development agencies. The support received from the national government on the other hand was insignificant.

PERSPECTIVES FROM THE KOSOVO DIASPORA IN SWITZERLAND

The current potential of the Diaspora to invest in Kosovo is lower than the expectations of Kosovo society. Additionally, most members of the Diaspora do not see investing in Kosovo as a priority at the moment.

Firstly, with the exemption of a few successful businessmen, Kosovo Albanians in Switzerland do not possess great financial potential. Secondly, members who have a certain financial potential to invest view the business culture in Kosovo as an obstacle. They complain about corruption, lack of basic infrastructure and the lack of reliability of the business people in Kosovo. Lastly, most potential migrant investors remain hesitant to invest in Kosovo because of a pervading perception of abandonment by their homeland after having contributed for decades to its political development. The failure to acknowledge the contributions of the Diaspora by governmental institutions and the lack of tax facilitation and subsidies decreases their interest and motivation to invest in Kosovo.

Sentiment can play an important role in motivating Diaspora members to invest in Kosovo, but in cases of sentimental investments it is hard to influence investors to align their investment with the market needs in the home country.
The most viable expectation for direct investments in Kosovo seems to be in the form of joint ventures of several smaller businesses operating in a particular sector in Switzerland (e.g. construction, gastronomy), through an institutionalized intervention from Kosovo government to establish a joint investment fund.

5. Diaspora Visits to Kosovo

One of the steadiest forms of financial support from the Diaspora has come through regular visits of Diaspora members to Kosovo. The figures below reflect the level of Diaspora visits to Kosovo:

**Number of commercial flights and main destinations from Prishtina airport in 2005**

![Graph showing top destinations at PRN APT 2005](image_url)

Source: Prishtina Airport
PERFORMANCE OF THE LOCAL ECONOMY DURING DIASPORA VISITS

Focus group discussions in Gjakova and Gjilan suggest that Diaspora visits are linked directly with the better performance of the local economy at the municipal level. Since many migrants contribute their remittances during their visit home the purchasing power of local population also increases, thus affecting positively the entire local economy. Visits are also used by many members of the Diaspora for consumption and purchasing of traditional foods, which points to another aspect that offers potential for development of the local economy.

PRIORITY SHIFTING

However, the study also revealed trends of priority shifting among Diaspora members. Some of them have started to view annual trips to Kosovo as both unnecessary and expensive. Instead they have started exploring other destinations where they can spend summer holidays, which indeed are more attractive and less costly for them. Thus for many of them visiting travel agencies other than the ones run by their fellow citizens is becoming a new trend.
6. Socio-Cultural and Political Activities

POLITICAL ACTIVITIES

The role of the Diaspora in Kosovo's political development has been monumental. Members of the Diaspora supported the parallel system in Kosovo during the early 1990s and were also essential in funding and organizing the uprising during the late 1990s. They played an active role in post conflict political life not only through logistical and financial support to political parties in Kosovo but also by mobilizing their members in becoming leaders of institutions.

DIASPORA POLITICAL PARTICIPATION IN SWITZERLAND

The Kosovar Diaspora has gradually started to get involved in the political and social developments in Switzerland, by adhering to Swiss political parties. Being among the largest foreign communities in Switzerland their impact on the political scene can be important in the areas where their concentration is higher. Some “Swiss Kosovars” are elected as local representatives in cantonal institutions which could be seen as a turning point in the future political participation of Kosovo Albanians in Switzerland. In addition, Kosovo Albanians have started their participation in syndicalism and civil society life.

SOCIO-CULTURAL ACTIVITIES

In terms of enabling and encouraging of education for non-migrants, as mentioned above, the proportion of remittances used for education in Kosovo is low (3% of the children are concerned). Furthermore, the statistics from Switzerland show that 74% of Kosovo-Albanians aged 23 and 24 hold no more than a compulsory school diploma. These facts suggest that the impact the Kosovar Diaspora can have on education of non-migrants is fairly limited if not inexistent.

ORGANISATION OF THE KOSOVAR DIASPORA IN SWITZERLAND

After the important support coming from Kosovo Diaspora associations in Switzerland during the conflict in the 1990s, today many of these associations seem to have lost their “reason of being”. The number of active Kosovo-Albanian associations and their number of members has decreased. Homeland political ties also led to the fragmentation of the migrant collective in Switzerland along party lines in Kosovo, rendering collaboration on immigrant political issues more difficult. Currently, the Kosovar Diaspora in Switzerland is almost entirely disorganized, lacking coordination and feeling alienated by Kosovar leaders.
that have failed to bolster their organization. Some respondents see the establishment of a central or umbrella organization as an opportunity for bringing the members of the Kosovar Diaspora together again.

It seems that the potential for a rebirth of organization among Kosovo Albanians lies with second generation immigrants who are beginning to organize themselves. Focus group discussions indicated that whereas the first generation of migrants invests in infrastructure such as houses in Kosovo and has a more or less nationalistic orientation, the second generation is more interested in know-how-transfer and adopts a much more critical perspective.

7. Diaspora and Migration Policies

Apart from acknowledging migrants and the Diaspora as a potential for Kosovo's development very little was done so far in terms of developing appropriate policies that could help the organization of the Diaspora, but also facilitate better leveraging of the Diaspora's potential for Kosovo's development.

DIASPORA LAW

A number of developing countries have begun pursuing policies that attempt to engage with their Diaspora populations, backed by a growing understanding of the skills and resources that members of such groups often possess. The Kosovo government has started thinking more actively in the same direction trying to leverage the Diaspora's potential for Kosovo's development.

The department of Non-Residential Affairs was promoted into a special office within the Office of the Prime Minister. One of the main priorities that were given by this office was to draft the Diaspora Law, which is planned to regulate many issues, from organization of the Diaspora to facilitation of investments and institutionalization of the Diaspora's political participation. Despite a somewhat slow progress in drafting the Law its approval will be matched very well with the opening of Kosovo's embassies abroad that are believed to offer much of the needed support for the organization of the Diaspora in their host countries.

DEVELOPMENT POLICIES

The study revealed that the Kosovo Diaspora in Switzerland is not consulted at all concerning development programs for Kosovo. Lack of organization and coordination among the Kosovo Diaspora makes it very hard to identify a
representative body that could be consulted during the process of development policy design.

BRAIN GAIN

The Government of Kosovo recently launched a national "brain-gain" campaign aimed at persuading educated members of the Diaspora, and professionals from other countries, to take part in the country's development by offering them better working conditions. However, similar initiatives to provide incentives for Diaspora experts to return and work in government institutions are being implemented by international organisations, and have shown little success.

INVESTMENT PROMOTION

One of the priorities of the Investment Promotion Agency of Kosovo (IPAK) is to encourage investments from the Diaspora. IPAK is actively seeking to increase its representation abroad in order to attract investments from the Diaspora. Currently IPAK is represented in German speaking countries by ECIKS Vienna Office in Austria. There are plans to extend their representation to other countries, but also to create an action strategy for investment promotion through the Embassies of the Republic of Kosovo.

8. Current Migration Trends in Kosovo

In contrast to the general trend of shrinking and ageing populations in Europe, Kosovo's population is very young, with about one third under 15 years of age and more than half under 25 years of age. Only about 6% of the population is 65 and older. The active population, between 15 and 64 years of age, is about 61 percent.

According to the Central Bank of Kosovo, the registered unemployment accounts for 43% of the economically active population - over 80% of the unemployed are in such a status for a year or longer. The downsizing of the international community presence is also likely to have an adverse impact on employment.

At current growth rates, the economy cannot absorb the approximately 30,000 young people that wish to enter the labour market every year. Surveys show that about 50 percent of Kosovo's youth, and the share is similar among all ethnic groups, would emigrate if they could. The main reasons for seeking to migrate are greater economic opportunity and the chance for a better life in general. Nevertheless, opportunities for migration to Western Europe are severely restricted for Kosovars and are mostly limited to family reunification.
The loss of young well-educated Kosovars, such as those that have studied abroad, will adversely affect both the local economy and the overall socio-economic prospects for Kosovo. Such a “brain drain” will deprive Kosovo not only of experienced skilled workers but also of the energy, talent and creativity of its young generation.

9. Conclusions and Recommendations

The role of the Diaspora on Kosovo's development is not a straightforward process. However, the study has shown that high expectations about the Diaspora's potential to contribute to Kosovo's development should be questioned.

Remittances are often used for consumption and luxury goods, and many members of the Diaspora hesitate to make business investments in Kosovo. The sense of obligation to the family has remained among members of the Diaspora, who generally still remit, albeit with reduced amounts. Nevertheless, their priorities have shifted, and they are now primarily concerned with their integration in the host society. Even if this sense changes in the future, the Diaspora's potential to contribute for Kosovo's socio-economic development is smaller than the expectations amongst policy-makers, donor agencies, development specialists and the wider informed public in Kosovo.

Comparing migration as a tool for business development with other forms of development interventions such as support from international governmental and nongovernmental organizations and support from the national government, the study shows that the support received from the Diaspora to start up SMEs in Kosovo was twelve-fold higher than that received from international development agencies. The support received from the national government on the other hand was insignificant. Additionally, the amount of remittances received by the Kosovar population from the Diaspora significantly exceeds the amount received from the Kosovar government in form of social welfare.
Recommendations

Economic aspects

- Establishing *one stop shops* where potential migrant investors could learn all the legal and financial aspects for doing business in Kosovo. Despite unpromising messages from Diaspora members they should still be encouraged to invest as they are the first potential “foreign” investors in Kosovo who can send signals to other foreign investors that Kosovo is a safe place.

- The best the government can do to promote Diaspora investment is to *improve the general investment climate*, facilitate access to credit, maintain favourable fiscal policies and promote Kosovo as a safe place for investment.

- However, the government of Kosovo could facilitate the process of coordination among businesses that operate in the same sector in Switzerland. Establishing a “*joint investment fund*” was among the priorities requested by Diaspora members.

- Putting a strong emphasis on the *export of Kosovo's traditional food* (“food nostalgia among the Diaspora”) should be a priority for the local food processing sector in Kosovo. Certainly, these products should maintain quality specifications and have high production standards as potential consumers may be found beyond the Kosovo Diaspora.

Organization of the Diaspora

- Governmental authorities in Kosovo should engage Diaspora communities as important *partners for the country's development*. Dialogue between the Kosovo government and Diaspora communities should be institutionalized and lead to concrete collaboration, based on the real potential of the Diaspora.

- A rebirth of the Kosovar Diaspora associations but with an entirely different mandate and mission should be one of the priorities of Kosovo Embassies. There is an enormous need for the Diaspora to become more vocal about their rights and obligations. However, initiatives form Embassies should balance between strengthening and patronizing Diaspora organizations.
• Given the limited knowledge of their rights among members of the Diaspora, Kosovo Embassies should develop and *distribute outreach materials* which document the rights of migrants and the Diaspora.

• Host countries should *support new Diaspora networks* and finance capacity building of Diaspora organizations along with creating durable alliances with established development actors.

• For the Swiss government, this is a critical moment to provide the support that could *facilitate the integration* of the Kosovo Albanian community in Swiss society. The willingness on the side of the Kosovo Albanian community seems to be at the peak and should be utilized.

• Special *attention* should be paid to *second generation immigrants*. They seem to have a strong interest in being involved in Kosovo's development. Kosovo and Switzerland should work together in facilitating 'brain circulation'.

### Migration and Diaspora policies

• *Facilitating and reducing costs of remittances*. This is the most tangible and therefore least problematic area of policy intervention and requires primarily improvements of the banking system.

• The Donor Conference for Kosovo suggested that Kosovo could become an exporter of labour. The potential of *temporary migration* should be addressed as an important matter in Kosovo's bilateral relations with countries who need additional labour force.

• Given the size of the Diaspora and the growing expectation amongst policy-makers of the role the Diaspora has to play in developing Kosovo the establishment of the *Ministry of Diaspora* would be a logical step.

• For the same reasons, helping the Kosovo government to *map its Diaspora* and build links with them would be a recommended action.

• Through bilateral agreements projects that promote the *return of highly qualified* (young) Kosovars, through linking with vacancies, and/or credit to set up small businesses should be encouraged.
Research

- A research and documentation centre should be established to address all issues related to the Kosovo Diaspora. For government to prepare a proper development strategy, it should have sufficient data on the migration phenomenon (outflows, inflows; disaggregated by profession, gender, age, region etc.) as well as the impacts migration has on broader societal development: (formal and informal) economy, employment, social stability, health, education, poverty etc. - as well as data on development. This centre can utilize recently opened embassies to map out the Diaspora. With adequate information and analysis, and with adequate capacities to utilize the information, the government will be better equipped to plan appropriate strategies.

- It is important to improve the data on remittances to understand the factors driving them, and to inform policy development which aims to maximize their developmental impact.

- Circulation of Kosovo Diaspora experts (e.g. researchers, professors, students) should be encouraged to generate more academic debate about the issue and preferably promote more research in this field among local institutions.