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Executive summary

Kosovo diaspora plays an immense role in daily lives of Kosovar citizens, a role which is mainly driven by the emotional connection and family bond. However, this connection is mostly individual and completely unstructured, either in the form of remittances - cash or goods, or in the form of expenditures they spend during their visits. Apart from the formal impact acknowledged in the previous sentence, the diaspora impact is considered as significant in the western spirit they bring along with their visits, their full engagement in circular migration and business investment – minor but occurring. As such, the German-Kosovar Business Association (OEGJK-KDWV) has requested this study in view of Germany hosting the largest Kosovo diaspora in the world, and Germany being Kosovo’s most important trading and investment partner. The mission of the German-Kosovar Business Association (KDWV) initiated this study through the “Reconnect” project, supported by the German Federal Ministry for Economic Cooperation (BMZ), through GIZ/DIMAK.¹

The findings of this study rely on the analysis of the primary data collected by employing two research approaches: qualitative and quantitative research. The focus of this research derives from qualitative research, while the data collected from the quantitative research are used as complementary information to fill the data gap on one specific target group, the Kosovar diaspora. While the readiness and interest of Kosovo diaspora to help their homeland remains high, including business investments, the actual business investments from diaspora remain rather low. The findings of the research highlight underlying issues beyond the obvious when the foreign and diaspora business investments are concerned. What holds back diaspora from investing in Kosovo, but also to offer recommendations on how to use the potential of Kosovo’s diaspora in Germany for the economic development of Kosovo, while using remittances more productively.

Why Germany? It has been estimated that more than 400,000 Kosovars live in Germany. The Central Bank of Kosovo estimates that in 2019 diaspora brought more than 800 million euros in Kosovo, through formal channels, and the biggest share of remittances (40%) is provided by the diaspora living in this country. (Kosovo Central Bank)²

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investing does not lie in one link of chain, but rather in several links of both economic and social chains.

If we look at the big picture, one of the most prominent obstacles lies on the overall image of the country and how we are perceived from the outside world, which considering the news highlights and labels we were given in the past two decades, the overall image of the country does not highlight ‘safe and uncorrupted land of opportunities’.

It is inevitable to notice that issues that have to do with diaspora do not belong to any Kosovo government institution exclusively, but rather bits and pieces are scattered between different institutions, indicating that diaspora remains on no one’s priority list.

The frequent changes in government had a negative impact in this matter and are reflected in the inconsistent and interrupted initiatives, as well as a poor bond between the one national government institution formally responsible for matters related to diaspora and relevant stakeholders included in this matter, such as economic chambers and businessmen living abroad.

Apart from the abovementioned obstacles, the report also highlights more specific issues diaspora investment is facing in section 1.2 of this report; mainly focusing on the unclear and contradictory laws for business registration, often referred to as bureaucracy, the lack of safety and guarantee for the invested money, questionable property ownership and the most time consuming matter to fix, which is the lack of qualified human resources in professional lines of work.

Section 1.1 focuses on the overall impact of diaspora on the country and the impact of remittances on the overall economic and social development of the country.

While the poverty of the country is striking, from the economy perspective, the economic impact of remittances is often considered as insignificant, merely because in most cases it is used to finance daily consumption and, considering that most consumption products are imported, most of the income from remittances leave the country immediately after they arrive.

Undeniably, remittances play a significant role in poverty reduction especially, but some stakeholders argue that this solution might be damaging in the long run, because it reduces the manpower by affording life without work for those who receive remittances.
Among other facts, section 1.1 reveals some of the findings of the quantitative research, whereas 17% of the diaspora living in Germany declared that they have invested in a business in Kosovo in the past 10 years. In section 1.3, a chapter on the overview of who is the diaspora in Germany, it was alluring to learn that some 30% of the Kosovo diaspora living in Germany own a business in Germany and that a similar share have thought of investing in Kosovo in the next 10 years.

These two sections also provide information on the lines of business that the diaspora from Germany has currently invested in, both in Germany and Kosovo, as well as elaborating in which sectors the diaspora is planning to invest in the next 10 years. It was intriguing to learn that although in overall there is a common agreement among stakeholders that diaspora investment in businesses is almost inexistent, a significant percentage of Kosovo diaspora living in Germany (32%) declared to have indeed invested in Kosovo in the past 10 years. The majority of the investments remain unnoticed though because they are mainly in small family businesses.

While some 32% of diaspora living in Germany have established businesses in the country they live in, almost half of this population has shown a potential interest in investing in Kosovo in the next 10 years.

The last section of this report (1.4) focuses on returnees and circular migration and the impact they have in society.

The findings of the study highlight miscommunications and lack of coordination between different stakeholders toward a common goal which is resulting in a lot of unnoticed work for all the stakeholders involved, without any exemption. Thus, it is recommended that the national government’s responsible institutions regarding the matter of diaspora and foreign investments to further strengthen their relationships with diaspora stakeholders and (national and bilateral) economic chambers.

There is an indication that the current strategic plan by the government for the diaspora 2019-2021 is not very clear or it is having issues being implemented properly. This plan needs a thorough consultation with strategic partners and economic experts in order to maximize its impact and formulating a successor plan for 2022-2024.

Throughout the whole study, it is clear that there are gaps in the implementation of laws regarding foreign investments. These gaps should be identified, removed and, most importantly, the efforts and the results communicated to the diaspora.

The taxation facilitation is considered an urgent priority by all the stakeholders included in the study and it is considered as a concrete step
forward towards attracting foreign investment. The agreement process should be initiated with relevant states, Germany in particular in order to incentivize the investment.

Identifying the human resource needs of the potential investors and creating the programs to fill in the human resource gap is also highly recommended.

It is evident that the investments in IT sector from diaspora are very low and it is considered that they are unfamiliar with the IT sector as a business opportunity. It is recommended that KDWV bridge this gap.

Forward-looking policies to attract skilled diaspora to engage economically in their country of origin, where they would be able to deploy their professional skills, should be considered. Some interviewed stakeholders believe that for a start it would be sufficient if the hiring process in the public sector is transparent and open for the diaspora to apply.

It is recommended that the government should communicate its existing support schemes to returnees more actively.

Last, but one of the most important, it is necessary for Kosovo to rebuilding of a positive image of the country in the eyes of the diaspora and international investors by proving that there is an intensive work being done towards fighting the corruption, improving the rule of law, nepotism, increasing the number of professionals and other types of characterizations that impact negatively on potential investors.
Introduction

Estimates consider that annually around 2 billion euros are poured in Kosovo from its diaspora living around the world, similar to Kosovo’s state budget for 2021 counting 2.4 billion euros. From the diaspora remittances, 41% are an economic boost coming from 400 thousand Kosovo diaspora living in Germany.

Apart from the estimates about the remittances and rough estimates on the number of diaspora living outside the country, little do we know about who our diaspora is, what is their impact in their homeland, are we doing enough to encourage their involvement in the development of our country and most importantly do we have an idea what they need in order to be more engaged in the decision making process of the country.

While the diaspora is our general focus, in order to understand the problem we looped in for a closer look in Kosovo diaspora living in Germany, as this country is also a home to the largest percentage of Kosovo diaspora living abroad.

To best understand our research questions, a mixed method research was applied by employing qualitative research with most relevant stakeholders on the topic with the aim of understanding the problem from their perspective and quantitative research with diaspora living in Germany, with the aim of understanding their potential and interest to invest in their homeland. The frequent changes in the government certainly had a negative impact on the continuity of the work regarding keeping the diaspora closer. And when looking closer at the needs of the potential investors, the findings of the research highlight a large discrepancy between what needs to be done by the government and what is actually being done, in order to induce and attract the economic investors. The report is filled with once very promising ideas that started as great projects and promising impact in economic development of the country, but failed along the way, mainly for unknown reasons.

On the other hand, the report clearly highlights the will of the diaspora and their readiness to contribute to their homeland. More than 30% of the diaspora living in Germany, claim that they have thought of investing in a business in Kosovo in the next 10 years, but for that, some basic requirements need to be met in advance, especially the rule of law and implementation of the laws favoring foreign investments.

This report is a great eye opener for many stakeholders, but it may serve as a guideline for policymakers and action plan designers to understand the problem behind the obvious. The main barrier that prevents the potential investor from investing in Kosovo is the poor image that
the country has faced in the past decades and this report is a clear example of how has that impacted us.
Objectives

The main objective of the study is to identify bottlenecks that are holding the diaspora back from investing in Kosovo, but also to offer recommendations how to use the potential of Kosovo’s Diaspora in Germany for the economic development of the country, while using remittances more productively.

The study should provide a report on the following issues:

- How can the diaspora be better connected with the respective country of origin to take part in the future development of the country?
- How can the diaspora be incentivized to invest their means in or to link their businesses founded abroad to their home countries?
- How can remittances be used more productively?
- How could the diaspora be better involved to foster circular migration?
- Which challenges do potential returnees face and how can they be effectively integrated into domestic economies and societies?
- To what extent could closer regional cooperation in the political, economic, and civil society sphere as well as increased mobility within the Western Balkans region represent a promising approach in counteracting existing emigration trends?

The findings of this study will provide information that will serve in strengthening the legal and policy framework in order to attract and increase investments from the Diaspora, give recommendations how to use remittances in a more productive way.

The study will attempt to answer the following key research questions:

1. Which factors affect (enable and inhibit) investments from Kosovo Diaspora?
2. Do Remittances stimulate growth and reduce macroeconomic imbalances in Kosovo?
3. How can remittances be used more productively in order to support the future economic development of the country? (Best practices from other countries, which have a big Diaspora.)
4. How can the diaspora be better connected with the respective country of origin to take part in the future development of the country?
5. How can the diaspora be incentivized to invest their means in or to link their businesses founded abroad to Kosovo?
6. How could the diaspora be better involved to foster circular migration?
Background

The long-lasting love relationship of Kosovo diaspora with Kosovo and vice-versa, has been an enigma for many countries for very long now in terms of identifying drivers of this relationship. Yet, there is a belief that this relationship is highly influenced by historic, political and socio-economic circumstances. Nevertheless, we cannot deny that the main reasons of the relationship are because of the culture, respectively values cultivated in the country itself.

As a result of this bond, the impact of Kosovo Diaspora is reflected both in micro and macro level and its impact continues to play a significant role not only economic but social as well. According to the UNDP Kosovo Remittance Study (2012)\(^3\), households in Kosovo receive two types of remittances: a) remittances sent by immigrants as cash and b) remittances sent as goods and services and clothes. A third type of remittances for the economy of the country are the expenses diaspora visitors make in person while visiting Kosovo.

In overall, remittances in Kosovo during the period 2005 to 2019 have had an increasing trend, starting from the fact that in 2005 remittances were 418.0 million EUR while in 2019 they reached the value of 851.7 million EUR. Remittances received in Kosovo marked the value of 434.9 million euros alone in the first half of 2020, which represents an increase of 7.2 percent, compared to the same period 2019\(^4\). The largest part of the Kosovo emigrants reside in Germany and Switzerland, while among other more popular destinations are Slovenia, Italy, Austria and the US.

Nevertheless, the German-Kosovar Business Association (KDWV) raised an interesting point of research. While we all agree that the remittances are reflected both in micro and macro level in the Kosovo economy, the question is whether these investments actually stimulate growth and reduce macroeconomic imbalances? Or better, how can they be used more productively in order to support the future economic development of the country, create jobs and increase export?

The mission of the German-Kosovar Business Association (KDWV) is to strengthen bilateral ties and trade exchange between Germany and Kosovo. Through the “Reconnect” project, supported by the German Federal Ministry for Economic Cooperation (BMZ), through GIZ/DIMAK, KDWV aims to give a contribution to increase FDI from Germany by supporting the Kosovar Government to create policies that would attract foreign investments, while promoting Kosovo as a cooperation and investment location in SEE.

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3 https://www.kosovodiasporadiaspora.org/study-undp-kosovo-remittances-study-2012/

Thus, with the aim of creating stronger connection between Kosovo Diaspora businesses in Germany and Kosovan companies, supporting partners in strengthening the legal and policy framework in order to attract and increase investments and the connection between sending and receiving countries and offer specific investment opportunities in Kosovo, for Diaspora businesses and German businesses, the KDVW initiated a research study regarding the Diaspora Involvement in the future economic development of Kosovo.

Moreover, this study aims to provide insights on the possibilities of creating new business partnerships between companies from diaspora, German companies and companies from Kosovo, to promote Kosovo as a cooperation and investment location in SEE, to increase investment from our diaspora, by doing so to increase export, to increase FDI from Germany, by doing so to increase export and to contribute in our country`s economic growth.

This report aims to be read by policy analysts and policy makers, national government stakeholders working on diaspora policy and all other stakeholders, including the potential investors in order to understand the potential difficulties currently discussed in this matter.
Methodology

The findings of this study rely on the analysis of the primary data collected by employing two research approaches: qualitative and quantitative research. The focus of this research derives from qualitative research, while the data collected from the quantitative research are used as complementary information to fill the data gap on one specific target group, the Kosovar diaspora. The quantitative research was applied to reach the Kosovar diaspora living in Germany, aged 18+ years through online survey, CAWI (Computer Aided Web Interview) for the Kosovar diaspora.

The achieved sample size of the quantitative research counts 500 effective interviews (confidence interval 4.38%), by using convenient sampling through online recruitment for the Kosovar diaspora.

In order to meet the requested objectives of the study, a questionnaire with close-ended and pre-coded open-ended questions, as well as with 3 open ended questions, approx. 10 min duration on average was designed and used.

The data, as they were uploaded during the fieldwork, were checked and processed on regular basis by the Data Processing Manager and the Field Manager.

Considering that the survey was conducted online with the adult population and the surveying procedure did not entail any invasive techniques or procedures, no ethical clearance was needed from the relevant national bodies.

The qualitative research was applied to gain insight from the relevant stakeholders, whose contribution was considered as crucial in this study. Five groups of stakeholders were identified and a particular number of in-depth interviews were conducted for each group, yielding in total 20 in-depth interviews with:

1. Kosovar diaspora businessmen who have invested in Kosovo but live in Germany
2. Kosovar diaspora businessmen who have invested in Kosovo and returned to Kosovo
3. Local and international experts on the economy
4. National government representatives
5. Kosovar returnees from Germany

Sampling: The total number of in-depth interviews conducted was 20 while the exact number of interviews for each stakeholder group was decided and approved by the KDWV team that oversaw this study. Purposive sampling was used as a recruitment method, based on the criteria of the target population. Because of the Covid-19 safety measures, the majority of the interviews (15) were
completed online via Zoom platform, while the rest (5) were completed face to face upon request of the respondents participating in the study. The average duration of a single interview was 45 minutes, while the interviews were recorded for analysis purposes.

The in-depth interview guide was generated from the themes which were designed and evolved around the objectives of the study specified in its terms of reference. The quality measures steps focused on making sure that all the relevant topics were being covered in the research instrument, as well as having two researchers work in the data analysis, in order to ensure that all aspects and perspectives of the collected data were being reflected in the analysis. Quality measures in the qualitative research included also quality control in the choice of participants that were recruited for in-depth interviews, i.e. making sure that they were selected based on the sample design and that they represented a variety of different relevant sectors.

Three qualified senior researchers conducted the interviews based on the previously designed interview guide. The researchers, with the help of audio recordings, provided detailed notes for each research topic and question, including specific and important quotes for further analysis.

The analysis was conducted by senior researchers, who analysed the notes and the recordings and produced the findings from the qualitative research. Ethical Considerations. Participation in the study was voluntary both in qualitative and quantitative research. In quantitative research, participants chose to click on the link and continue with completion as well as withdraw from participation at any time. Participants were also informed how the data will be used and ensured them about the confidentiality, as no names or identifying personal information will be linked to the answers they provide.

In qualitative research, the information letter was provided to participants in the initial contact, explaining the objectives of the study, recording and the anonymity. It was also explained to them that they could withdraw from participation at any time, and non-participation would not have any negative effects. Participants were also informed how the data will be used and that confidentiality would be ensured, as no names or identifying personal information would be linked to the answers they provide.

Before starting the discussion the participants’ verbal consent was acquired and confirmed in the recording as well.

Data analysis. The final data set from quantitative research was validated in SPSS for Windows version 26 software, in Kantar (Index Kosova) offices by the Data Processing Manager and the Project Manager assigned for this project. Before the analysis, the dataset was checked for missing data and outliers; for outliers, the
outlier labeling rule was used. The data was then analyzed by using SPSS and was disaggregated by main indicators such as gender, age, number of members in the household, whether they have invested in the business in Kosovo in the past 10 years and if they have thought of investing in a business in Kosovo in the future.

Narrative analysis was applied for the analysis of the data gathered from the qualitative research, respectively in-depth interviews. The data were initially divided into 5 sub categories as per type of stakeholder. The themes for the coding derived from the objectives of the study, while axial coding was used as a method to link the category codes separately for each sub-category.

Then, the findings were linked to research hypothesis and objectives, while noteworthy quotations from the transcript were used to highlight major themes within findings and possible contradictions.

Limitations of the study: The aim of this study design was to identify key stakeholders’ views on the conditions required to make Kosovo more attractive for potential investors and finding ways of improving the business climate in the country. Thus, the findings of the qualitative research can be generalized only to a narrow population similar to the stakeholders’ background and to their specific situation. The findings of the quantitative research component included in this study, considering the sampling size (500 diaspora members living in Germany), represent the opinions of the Kosovar diaspora population living in Germany only and not necessarily apply to the opinion of the diaspora living in the rest of the globe.
Chapter 1: Findings

1.1. Overall impact of Kosovo diaspora in economy and welfare of the country

There is a common agreement among all types of stakeholders that the diaspora has a tangible impact on Kosovo. It is evaluated by the stakeholders that Kosovo, besides its own official budget, has an additional, unofficial budget that comes to Kosovo via the diaspora and almost reaches the amount of the official budget.

‘Our diaspora sends over 1 billion euros a year, which creates an additional budget for Kosovo. So, Kosovo has its own real and legal budget of 2 billion euros (annual) and an extra budget that comes through remittances from diaspora.’ (Government Official, November 2020)

Local and international economy experts refer to the diaspora as an economic development engine. They count two main channels through which the diaspora impacts the overall country economy: through remittances and through tourism.

The Central Bank of Kosovo estimates that in 2019, diaspora brought more than 800 million euros, throughout the formal channels ⁵.

Nevertheless, according to local and international experts, this sum is even higher considering the informal channels and throughout the goods:

‘I believe that our diaspora contributes around two billion Euros annually, either in cash or through products such as cars, TV sets, laptops, mobile phones or other equipment which are an added value to us’ (Economy Expert, November 2020).

Interviewed economic experts agree however that the vast majority of remittances are allocated to consumption, while around 300 million Euros are evenly designated for real estate purchase and real estate building.

Government officials included in the study further estimate that the biggest share of remittances (40%) is provided by the diaspora from Germany, while 20% of the remittances come from those living in Switzerland and the remaining 40% come from the Kosovar diaspora located in other countries around the globe, an information also published in annual report of 2019 (Kosovo Central Bank) ⁶.

Moreover, even though remittances in the vast majority of the cases support consumption,


respectively support people who don’t have other incomes to exist, it is considered that in fact diaspora plays a fundamental role in substantially reducing the gap between export and import of goods and services.

According to government officials interviewed, the best way to see the impact of the diaspora in Kosovo is to compare the economic and living conditions of the households in the villages of Kosova and households in villages of Montenegro, Serbia or Macedonia. According to them, the difference is dramatic in terms of household possessions and doesn’t correspond to their incomes from work.

Moreover, it is estimated by the stakeholders included in the study that even though because of the pandemics, the movements of diaspora were restricted, the flow of the remittances continued and increased during 2020. In 2019, the remittances marked an increase of 6.4%.

The leading cause of this continuous relationship of Kosovo diaspora with the country seems to be not just socio-economic, but rather cultural and deriving from family. Now, how long will this relationship last is questionable. In the cause of their development, Western societies have tended to become more individualistic and hence, some stakeholders consider that this support from diaspora might not last in the long run.

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1.1.2. Impact of diaspora businesses in Kosovo

Estimates. In the absence of the accurate estimates of diaspora investments in Kosovo, the findings of the study reveal contradictory perceptions of the stakeholders regarding the actual investments of this population in Kosovo. There is a common belief among all the stakeholders included in this study that the number of businesses from diaspora is rather low compared to the size of remittances and compared to the potential that the diaspora has to invest in Kosovo. Local and international experts on the economy consider that the diaspora was quite active during the privatization process and that companies that were privatized with a special spin-off method are nowadays mainly in the hands of the diaspora. For clarification purposes, special spin-off model in the privatization process has some limitations for the new owner of the company. The owner must complete obligations specified in the tendering process and the following conditions: 1. highest price offered in the tender, 2. investments that will be the time period, 2. retain workers previously employed and increase the number of workers over a given period of time (Dr. Bajram Fejzullahu, Chosen Model of Privatization of Socially Owned Enterprise in Kosovo Over Kosovo Trust Agency, 2015)\(^8\).

According to economic experts included in the study, there is a perception that diaspora investment is also visible in large companies, especially in the field of construction or existing family businesses. Yet, they agree that this is not enough compared to their potential of investment in their homeland.

On the same note, the findings of the quantitative segment of this study highlight that a significant percentage of the surveyed Kosovo diaspora in Germany have invested in business in Kosovo in the past 10 years. Out of the total sample of 500 Kosovo diaspora living in Germany, 17 percent declare that they personally, or their family, have invested in a business in Kosovo in the past 10 years.

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8 http://journals.euser.org/files/articles/ejis_may_aug_15/Bajram.pdf

Graph 1: Diaspora who invested in a business in Kosovo in the past 10 years
As highlighted by interviewed stakeholders as well, the findings of the quantitative survey point out that construction and agriculture are the two main sectors in which the Kosovo diaspora has invested in their homeland. While a quarter (25%) of Kosovo diaspora living in Germany and interviewed for this study, who declared to have invested in a business in Kosovo, allocated the investment in the construction sector, slightly fewer of them (20%) invested in agriculture and livestock mainly through family businesses already present in Kosovo. Hospitality (12%), trade (7%), real estate (6%), transportation (5%) and tourism (2%) seem to have been the less attractive sectors for business investment by the diaspora. The percentage of the diaspora living in Germany who have invested in IT sector is surprisingly low, considering that the niche and the program of the Ministry of Technology and Innovation for 2017 to 2021 through their policies are indeed foreign investments and export, by placing on force export programs and instruments to help medium and small business enterprises integrate into global chains and advance services for export. While this does not necessarily explain why diaspora in the IT sector is low, it could be an indication that diaspora in Germany is unfamiliar with the IT sector as a business investment.

Graph 2: Business sectors that the diaspora invested into in Kosovo
To summarize, the findings of the quantitative research contradict the perception of the stakeholders that commonly agree that the business investments from diaspora are insignificant and almost inexistent. Perhaps we can conclude that a significant percentage of Kosovo diaspora living in Germany have invested in Kosovo in the past 10 years but the majority of the investments remain unnoticed because they are mainly in small family businesses and do not use chambers as a way through but rather make the investments throughout their family and not necessarily formal.

Obstacles. Looking from the economic perspective, even though remittances at the moment bring much more to Kosovo than do diaspora investment through businesses, some stakeholders consider that in fact the diaspora business investment in Kosovo brings a long lasting investment in “know-how” and “know-what” by transmitting a different work culture.

Stakeholders interviewed agree that even the existing investment in the Kosovo businesses sector from the diaspora was done because of the good will of the diaspora to help the country, to show love for the birthplace or maintain and strengthen the family relations and not necessarily because the climate was suitable to invest. In fact, the majority of the interviewed stakeholders consider that the current business investment conditions in Kosovo are not appropriate at all for foreign investments, including those from the diaspora.

On the same note, the responsible ministry for this matter, the Ministry of Foreign Affairs and Diaspora, which resulted from a merger of the foreign affairs and the diaspora ministry in February 2020, appears to have been well aware of most of the obstacles preventing the diaspora to invest in Kosovo. As such, the strategic plan for 2019-2021 was designed, which among its objectives aims for the empowerment and involvement of diaspora in promoting the culture, tradition, tourism and homeland’s assets and investment opportunities and its goal is to strengthen collaboration with the diaspora for economic development.9

A very important general obstacle which has been highlighted by national government representatives interviewed in the study is the issue of the overall image of Kosovo in the eyes of the investors in general. According to this group of interview participants, the reported information on media about the level of corruption in the country and about the lack of the rule of law have created a grotesque image which some of them consider exaggerated or having a repulsive impact on potential investors.

What national Government representatives call image, other groups of interview participants believe to be real problems and translate them into

three main tangible issues as crucial obstacles for diaspora investment in Kosovo.

Lack of function of the rule of law is one of the major obstacles which the diaspora could not, according to the interviews, overcome when trying to invest in business in Kosovo.

‘With my initiative and in collaboration with the University of Architecture (in Prishtina), two businesses came to Kosovo to invest. They were interested in opening factories, but after the market research, they were introduced to the existing problems with the properties and law for the space where they wanted to invest. After the research they saw the problems with the undefined ownership of the properties they wanted to buy, but also with the rule of law. After that, they ran away and invested in a country that offered them security and rule of law’. (Kosovo diaspora businessman who has invested in Kosovo November 2020)

Moreover, interview partners emphasized that a number of diaspora members have tried to start a business investment through their connections in politics, but they mainly ended up betrayed.

Another identified area facing a gap in meeting the needs of the potential foreign and diaspora investment, is the human resource, respectively the lack of a qualified workforce, or, more precisely the quantity of the qualified workforce necessary to meet the needs of exporters. Alternatively, the diaspora interested to invest has to adjust to the available human resources and expand limited sections of their business activities, or even a completely different business or model with the aim of adjusting to what is currently available on Kosovo’s labour market.

‘There are companies that in Germany have construction as their primary activity, while they have expanded their business in Kosovo in the hydropower and not necessarily their primary activity in Germany’. (Kosovo diaspora businessman who has invested in Kosovo November 2020)

‘in case of service export for example, we have a lot of call centers that export services to Germany, Switzerland, Austria and other countries and this sector is increasing. Whereas, when we consider exporting more complicated services such as software testing and software development for example, we struggle because there are no qualified people for this line of work’ (Local and International Economy Expert, November 2020)

The third obstacle which participants in the study highlight unanimously is the lack of a functional administrative system i.e., the bureaucracy. According to most interview partners, there are ‘back and fourths’, long waiting times and complications that come along every segment of the process which makes it exhausting to deal with. ‘A part of the businesses that have expanded their investment in Kosovo are very successful but still, there is a lot of hesitation to invest in Kosovo and
that is mainly because of the bureaucratic and unclear procedures starting with administration, and the registration process.’ (Kosovo diaspora businessmen who has invested in Kosovo, November 2020)

As a solution, economic experts included in this study believe that the education system in Kosovo should follow labour market needs and stimulate relevant education and professional departments to prepare students for the profiles in need. Economic chambers are considered to have, potentially, a tremendous role in this direction as they can provide deeper insight on market needs.

Interview partners agreed that there is a space and opportunity for business investment, in which case their impact would be significant, not only in economic development of the country, but also with respect to the population which will have more international exposure experience, improve its knowledge and work culture. This would open new possibilities for export.

Moreover, Kosovo diaspora businessmen who invested in Kosovo believe that there is a lot of opportunity how the diaspora may contribute to the country if they would be given a chance.

‘We have a lot of Kosovars living abroad that are in managerial positions, who have a western working culture that could influence and contribute to the government or other sectors of the country economy by transmitting gained knowledge and education, if they would be given a chance’ (Kosovo diaspora businessman who invested in Kosovo, November 2020)

‘Its impact (of diaspora business investments) is not only in consumption, but most importantly in experiences (know-how and know-what). If we compare this investment with determining factors of economic development of Kosovo, this type of investment becomes the most relevant one” (Kosovo diaspora businessman who invested in Kosovo, November 2020)

While these three broad major themes emerged from the qualitative research, it is worth mentioning that some obstacles for diaspora investments are merely individual and vary from the nature of the stakeholders’ line of business or their current situation such as a loan with favorable interests or even their bad experiences in the past during their attempt to invest in Kosovo such as potential betrayal or cases of corruption they faced.

11.3. Impact of remittances on country development

There is a common agreement among all interviewed that remittances are extremely important and in some cases an absolute must for the survival of many households living in Kosovo. Another important common agreement among interviewed stakeholders is that in the current format, remittances do as much harm as they do good, because they decrease people’s will
to work for an average Kosovo pay or lower. An absolute majority of the interviewed stakeholders agree that it is important to find a way to properly channel the remittances, in order to have a more significant impact instead of just facilitating daily consumption.

In fact, all types of transfers by the diaspora that are not invested in a business that can generate income or increase employment, apart from reducing the poverty rate and starvation, are seen by interview partners as of low significance in economic growth and in some cases, in the long term, they are even seen by them as harmful.

For a better understanding, let us first explain why some interviewed stakeholders believe that in the long run, improperly channeled remittances can be harmful. Since most of the remittances are sent on regular basis, in a form of a monthly salary, most harm is done in reducing the motivation to work for an average or lower salary. Let us look at this common example: a household of five members receives remittances of 500 euros a month, every month, for the past couple of years. If one of these 5 family members gets a job, the chances are they will be able to receive a salary of 480 Euros or less, depending on the qualification. While the provided job offers no security and above all every time you leave the house you have to spend on travelling and food, there is a high risk that the diaspora person who helps you because you are unemployed will stop sending money because now you have another source of income. Simple logic concludes that there is no leverage in getting a job.

This in return, while it may seem as a comfortable temporary solution, when applied on a large scale and in the long term, does more damage to the population than good.

While national government representatives interviewed consider that this will cause a problem in the future, other interviewed stakeholders believe that this is in fact an already existing issue that Kosovo is dealing with.

‘if remittances are used for consumption exclusively, this might have a negative impact such as reduction of manpower and economic dependability which may negatively impact the country’s economy’ (National Government Representative, November 2020).

‘in terms of social values, I think the remittances have a negative impact because it makes a population who receives them as less willing and less motivated to find work. By having a regular source of income (from remittances), people are not willing to work for a pay less than what they receive already’ (Local and International Economy Expert, November 2020).

Moving forward, all the interviewed stakeholders agree that this is a problem that needs an immediate solution. Nevertheless, finding a solution appears to be more complex when we loop into the potential implications and complications that each solution
might bring. Moreover, some strategies involve more economic chains according to the stories of different interviewed stakeholders. Potential remittance channeling possibilities appear to be countless – everyone has an idea or two.

Let us look at the potential scenarios of channeling the remittances. According to local and international experts interviewed, seen from an economic perspective, remittances do not impact or impact the economic development of the country very little, because the vast majority of them are used for daily consumption and are mainly the source of life for households who receive them. Considering that the majority of the consumed products are imported from abroad, all the money that comes from remittances, goes outside the country with a significantly less beneficial effect on the Kosovo economy.

‘If Kosovo would produce more, the impact of this money would be bigger because the money would remain in Kosovo’ (Local and International Economy Expert, November 2020).

Management of remittances from an outside, independent body was also mentioned as a potential possibility in the form of an investment fund. Nevertheless, it is unclear how this fund would cover the support of the families who survive on remittances – respectively how this would compensate the daily consumption for the households who depend on them.

‘It would be good to form a fund from the Kosovo Government based on Netherlands or Luxembourg or England and to be managed by an expert company so that we are sure that the funds are safe. So the idea is to create an investment fund with concrete projects, either public or private. There are good public projects that could be implemented such as Kosova power plant, whereas the investment could be implemented with diaspora money. (Local and International Economy Expert, November 2020).

But other economic experts interviewed find this plan to be rather ambitious, mainly because the money from diaspora does not come in large chunks – so we don’t receive millions of Euros in one transaction in the Central Bank but rather, they are sent in small amounts and dedicated to daily consumption.

Another suggestion was to work on social values, respectively. to agree on conditioning the remittances among senders and receivers. By this, it is implied that the sender should be required to dedicate remittances to business investment within the family, with the purpose of buying equipment that could further make the receivers’ household independent in the long run. Purchase of a livestock, tractor or other manufacturing machinery that could generate income in the future seems as a reasonable alternative. Moreover, sending the remittances in the form of a conditional scholarship for a family member, would, according to economic experts
interviewed, have an astonishing impact in the long run.

Nevertheless, there are two potential challenges to this idea. Micro managing and raising the awareness among diaspora on how to channel remittances and moreover raising the awareness among families who survive on remittances that it is better to pay for education than for food consumption, requires a tremendous amount of time and dedication.

Some interviewed stakeholders believe, however, that the solution to this problem of redirecting diaspora money into proper investment doesn’t require reinventing the wheel. According to them, replicating the models used in Ireland, Armenia or Turkey would significantly improve the current situation.

Countries such as Ireland, Armenia and especially Turkey have lately managed to use their diaspora extremely well by creating clear ideas and policies like open clubs for discussion where Turkish citizens living in Germany gather and discuss about problems, issues and projects which German-Turkish speaking citizens send projects from Germany to Istanbul with less expenses in which case people who won the project in Hamburg earn much more by sending the project to liaison companies in Istanbul which companies find other suitable companies in Istanbul to do the work for less money. In this case the beneficiaries are German and Turkish citizens because of the staff exchange which results in project implementation with less money. Here we have a triple win situation, so the German citizen, the Turkish citizen and the liaison company. Lately these have been million dollar projects, not small amounts. This lead to different forms of collaborations such as opening hotels, restaurants, investments in construction, trade and collaborations between universities, etc. We on the other hand have lot of problems in this direction, we do not have a database of the businesses in Kosovo who might be potential partners in cooperation with German company like a recent case we had for example when a German company wanted us to find a company from Kosova who would produce doors for buildings. In order for us to find this contact we had to contact German-Kosovar Business Association, then they had to contact the relevant institution and then find a company, etc. So, the bureaucracy and the lack of easy access to a database and direct access to the relevant company which would allow me to say ‘this company is licensed, produces this type of quality and is authorized by the country and is capable of producing for Europe. (Businessmen who has invested in Kosovo but lives in Germany)
Taken together, this section of the report is filled with ‘it should’s’ and ‘if’s’, indicating that there is a lack of a properly thought and thoroughly discussed strategy among key stakeholders regarding the possible scenarios about channelling the remittances. While there are disagreements about the general impact of the remittances in the first place, the options about the ways they should be channelled in order to be more effective remain unlimited in count and only in a form of a general idea.

1.2. Facilitating the investment
   1.2.1. Missed chances

When looking at the findings of the study in terms of how much was done so far in terms of Kosovo government support provided to the existing businesses from diaspora and facilitating and stimulating new investments from diaspora, the picture is very clear. The absolute majority of stakeholders interviewed agree that business investment by the diaspora, but also by foreign companies, has never been a priority for the Kosovo Government. In fact, the vast majority of them believes that it has never been in any of the lists of this institution. On the other hand, some government officials from the relevant ministries, believe that so far, compared to the countries in the region, Kosovo is far advanced in promoting the investments, but also the diaspora businesses.

Apart from Ministry of Foreign Affairs and Diaspora, as a dedicated ministry for dealing with and promoting investments and promoting diaspora businesses, in 2013, the Kosovo Investment Enterprise Support Agency was created in order to support and promote investments, export and tourism of small and medium enterprises.

Moreover, the dedicated ministry has done sufficient amount of improvement in this direction through the Project Strategy for Diaspora 2019-2023 and Action Plan designed in 2018. Also, the interviewed national government officials count the number of meetings they had with diaspora businesses, aiming to ensure these businesses have the full support of the government in case they are interested in investing in Kosovo.

‘Since 2010 we attempted to take concrete steps and invite diaspora businesses to invest in Kosovo by explaining to them that Kosovo’s focus is diaspora, it has been and will be forever. I have personally met very strong businesses … companies that count thousands of workers’ (National Government Representative, November 2020)

One significant attempt by Kosovo institutions and highlighted by interviewed stakeholders who have invested in Kosovo, but live in Germany is the diaspora business network which started in 2014/15. This initiative was launched by the Ministry of Diaspora at that time and even
reached the diaspora businesses in the United States and Australia, but unfortunately failed to achieve permanent structures and continuity due to the lack of organizational support by the ministry.

‘Unfortunately there is no continuity of support in maintaining these networks with proper directions from relevant ministry, respectively Ministry of Diaspora and there is a lack of connection of this network with the Ministry. So these businesses try to organize themselves but that is not enough.’ (Businessman who Invested in Kosovo, but lives in Germany, November 2020)

Apart from the above mentioned elements, the stakeholders interviewed sporadically mentioned the benefits of an registration process of the diaspora, an attempt to understand their profiles and identify the opportunities by which they may be better enlisted in the country’s development. They stated that the process started three years ago, but apparently has been interrupted due to some difficulties the project has been facing.

‘... when the registration of the Kosovo diaspora ends, we will come up with a result or have a database or even a network of working professionals, in which case the government and relevant institutions will know what type of professionals they have and their skills and professions gained in EU countries and how can they contribute to the Kosovo economy’ (National Government Representative, November 2020)

Another failed attempt to make a significant improvement in the bridge between Kosovo and potential diaspora investors was interrupted in 2020, in this case because of the Covid-19 pandemic.

‘An opportunity and project was missed this year which was the promotion of an innovative business park in Prizren where there are 5000 square meters of land and German logistics dedicated for professional trainings in order to be able to place the administration offices of potential German investors’ (National Government Representative, November 2020)

While the interviewed national government officials listed the number of activities that the Government has taken in this matter, together with relevant institutions, there is a conclusion in each of their statements about how insufficient their work has been so far, mainly due to the lack of a strategic plan and also due to political instability the country had suffered from in the past two decades. Apparently, there is a lack of overall policy evaluation and the impact that it has been having on the targeted population, the diaspora in general and the diaspora businesses more specifically.

‘Considering the fact that the Government is not stable in Kosovo, this causes also problems in the investment and overall economy and also in the image of Kosovo in the eyes of the foreigners’ (National Government Representative, November 2020)
‘In terms of what we should do more, I would say that sometimes we as institutions have no idea what to do but also they (Kosovo diaspora investors) don’t know what they want. It is best to sit and discuss the ideas and projects that we could implement together. Sometimes there is a confusion who and how should the things be done” (National Government Representative, November 2020)

On the other hand, diaspora businessmen, diaspora returnees and economic experts do not describe, in the interviews, the work of the public institutions in this matter, indicating that the government performance is not significant or rather not in the right direction.

To conclude this section, it is worth mentioning that for various reasons many initiative of the national government to address the issues of diaspora, were interrupted and in vast majority of cases seem to be because of the frequent changes in the government which were reflected in this sector as well. This also implies that the head of the household in this matter is the national government. The national government is the institution is the most important player (maybe the only) who has the power of mobilizing the relevant stakeholders and pushing things forward. Without the input of this institution, the work of other stakeholders remains significantly less noticed.

1.2.2. What can be done?

The barriers to foreign and diaspora investments apparently are not an untold story for all the stakeholders interviewed, including national government officials. Most of the government officials interviewed are aware that, in order to attract foreign and diaspora investments, the government has to do a serious amount of work in terms of law implementation and the overall image improvement of the country. The struggle seems to be in finding out how to do that. The interviews undertaken showed a number of possible policy responses in this regard.

Even though the diaspora businesses were, according to the interviews, ensured by government officials about the support in potential investment, spoken promises are insufficient when it comes to serious investments. The needs of diaspora businesses seem to be more tangible and requiring proper infrastructure and legal regulation for their investments, which in return, translates to insurance for their investments.

‘The government did not sufficiently work to facilitate and stimulate the investments from diaspora and to attract foreign investments in general. What every investor needs, and in this specific case diaspora investor, is a legal and financial security (first of all). So the Kosovo government has to create an environment where the transparency and the rule of law dominate... another element which is ignored by
our institutions but also by the private sector in general, is the law on intellectual property rights.’ (National Government Representative, November 2020)

In fact, Kosovo Diaspora businessmen who have invested in Kosovo claim that the laws exist on paper, but they are not implemented.

While national government representatives and investors go around speaking on general terms about rule of law and security of investors, specific examples of what these two elements might include are handful. Among them is the creation of a specific department dealing with promotion of opportunities and investments in Kosovo, especially in the tourism sector.

‘Kosovo has 5 consular offices in Germany and if we open a specific sector (department) of promotion and launch if investment opportunities in Kosovo, especially in tourism sector which in Kosovo is not supported enough either way.’ (National Government Representative, November 2020)

On the other hand, international and national economic experts interviewed believe that every development strategy by the government should be consulted in advance with the business community in Germany through the economic chambers and organizations in order to understand the challenges and problems that potential investors face and to translate the results of those consultations into objectives that are then pursued.

The creation of a commercial court that works at a high speed is another crucial step forward that might induce foreign investments. The local and international economic experts interviewed consider that for foreign large companies it is important to have a court that deals immediately with their lawsuits. Long waiting periods of the court cases and court procedures are considered discouraging, because they can cause financial loss to these companies.

‘Regulating the judicial system and commercial court as an initiative is very important and the idea is to have it (implying a commercial court) only for law suits that exceed the value of 1 million euro. An investor coming from Germany or Switzerland, knowing that for an answer or a verdict they have to wait too long, is an issue. (Local and International Economy Expert, November 2020)

One other stimulating element for foreign investment is the conclusion of international double taxation agreements with the countries of potential investors. In other words, there should be exemption from taxation of foreign source income or provision of a foreign tax credit for tax paid on foreign source income. In this respect, mistakes such as canceling the existing double taxation agreements which have been made in the past is considered another element that the Government should avoid in order to attract
foreign investments. As regards Germany, a double taxation agreement from Yugoslav days is still in force and a successor agreement is under preparation.

‘The Government should make agreement with countries where diaspora is more concentrated on double taxation and not to cancel agreements in the past for exemption from double taxation as in case with Netherlands with an excuse that the agreement was inherited from ex-Yugoslavia’ (Local and International Economy Expert, November 2020)

A more specific step that the government should focus on in order to attract foreign and diaspora investment is the investment in business parks, as this is considered a very important destination of public money. Furthermore, the railway infrastructure for example is essential, as this would improve the circulation of goods and it is considered by stakeholders interviewed that the Government has not done anything in that direction.

While the role of economic chambers in overall and diaspora associations is important, their function at this stage is considered by stakeholders included in the study, as secondary compared to the emergent role of the Government and its policies. A deeper collaboration between these institutions is nevertheless recommended from the findings of the study, in order to facilitate and provide a better service to potential investors.

‘German – Kosovar Business Association has created a strong partnership with many institutions and investors from diaspora by providing access to relevant information for businesses and assisting them in various forms while other institutions did less in this matter’ (National Government Representative, November 2020)

1.3. Who is the Kosovo Diaspora in Germany
1.3.1 Quick overview

It has been estimated that more than 400,000 Kosovars live in Germany and Kosovo Central Bank figures regularly show that more than 40% of the annual remittances in Kosovo come from Germany.

‘More than 400 thousand residents from Kosova live in Germany under different citizenships, either with Kosovar citizenship, dual citizenship (Kosovar and German), Serbian citizenship but that are from Kosova. According to our data, more than 41% of the total annual remittances sent to Kosovo, are sent from Germany, 20% from the Switzerland and the rest from other countries. This means that Germany bears the largest burden of sending remittances to Kosovo.’ (National Government Representative, November 2020)

Among the respondents to our survey, almost half of Kosovo diaspora households living in Germany consist of 4-5 family members (48%), while less (15%) live in either households consisting of 1-3 family members or households of more than 6 family members (19%).
A significantly high percentage of the diaspora living in Germany who responded to our survey (32%), reported that either they or a family member owns a private business in Germany, while the rest worked for someone else.

Out of the 32% of the households who own a business in Germany, the largest share (44%) has invested in construction sector while the rest of the business owners are spread in other various business sectors. Some 12% of the business owners in diaspora living in Germany, are oriented in hospitality sector and less (9%) in the service sector. In this matter, the rest of the businesses in Germany owned by diaspora are more or less equally spread in sectors such as information technology (4%), trade (4%), medicine (4%), real estate (3%), factories (3%), car trade (3%) and transportation (2%).
1.3.2 Potential investments

Unquestionably, the potential impact of diaspora on Kosovo is considered to be very significant, either in the form of investment, employment or knowledge transfer. Shifting the focus on Kosovo in Germany for example, the exemption of Kosovo from the German security black list is an automatic increase of opportunity for gaining potential investors.

‘Kosovo has been on Germany’s black list until January 2020, which meant that it was considered as a country with high risk for the Federal Republic of Germany, which has automatically placed Kosovo in an undesirable and inconvenient position for investment. But since January 1st of 2020, we are no longer part of that list and this marks a significant advancement for our country which will increase chances for potential investors in Kosovo in the future by German investors.’ (National Government Representative, November 2020)

The quantitative research findings with Kosovo diaspora reveal that around half of the interviewed diaspora living in Germany have thought of investing in Kosovo in the next 10 years (44%), while the rest have made up their minds to not invest (55%) and a small percentage did not answer the question (5%).

While the interest for business investments of diaspora in Kosovo in the next 10 years, seems rather optimistic and maybe slightly euphoric, they are a clear indication of their overall interest in deeper involvement in the state building process.

Graph 5: Business sectors in Germany where the diaspora is present as investors

- Construction: 44%
- Hospitality: 12%
- Services: 9%
- Information Technology (IT): 4%
- Trade: 4%
- Medicine: 4%
- Real estate: 3%
- Other: 3%
- Factories: 3%
- Trade: 3%
- Construction: 44%
- Hospitality: 12%
- Services: 9%
- Information Technology (IT): 4%
- Other: 3%
- Factories: 3%
- Medicine: 4%
- Real estate: 3%
- Construction: 44%
- Hospitality: 12%
- Services: 9%
- Information Technology (IT): 4%
- Other: 3%
- Factories: 3%
- Medicine: 4%
- Real estate: 3%
- Construction: 44%
- Hospitality: 12%
- Services: 9%
- Information Technology (IT): 4%
- Other: 3%
- Factories: 3%
- Medicine: 4%
- Real estate: 3%
- Construction: 44%
- Hospitality: 12%
- Services: 9%
- Information Technology (IT): 4%
- Other: 3%
- Factories: 3%
- Medicine: 4%
- Real estate: 3%
- Construction: 44%
- Hospitality: 12%
- Services: 9%
- Information Technology (IT): 4%
- Other: 3%
- Factories: 3%
- Medicine: 4%
- Real estate: 3%
When asked what were the barriers, i.e., why they could not invest in a business in Kosovo so far, the responses in the survey matched the obstacles mentioned by the interviewed stakeholders and highlighted earlier in this report.

Out of those who have thought of investing in a business in Kosovo (44%), the range of interest is relatively wide, but the majority is interested in investing in agriculture and livestock (27%). The rest of diaspora who thought of investing in a business in Kosovo mainly expressed their interest in investing in factories (16%), construction (9%) and hospitality (8%). The interest for investment in professional sectors, respectively in professional services that require majority of the staff to hold professional degrees and licenses as well as specific skills such as architects, accountants, engineers, doctors, lawyers and teachers is lower compared to the previously mentioned sectors. The interest for investing in the Information and Technology sector (5%) and medicine (5%) is lower, but slightly higher than interest in investing in trade (4%) and tourism (4%).
Out of those who thought of investing in a business in Kosovo in the next 10 years, the requirement mentioned most often (12%) a better rule of law. Tax facilitation from the state (5%), access to loans with low interest (5%) and programs offering qualified workers (5%) are the second most important needs that have to be met in order for diaspora to be able to invest in Kosovo. Access to foreign markets is of a high importance for only a few (3%) of the surveyed diaspora living in Germany.

![Graph 8: Type of support that Diaspora needs to further develop their business in Kosovo](image)

In terms of the type of support that they would need to proceed with their business interest and ideas, the needs of the diaspora from Germany relate closely to their general needs and conditions with respect to the business climate.

Out of the total diaspora who declared to be interested in investing in Kosovo (44%), more than a quarter of them (29%) considers that a better rule of law is the most important support that they would need for investing in a business in Kosovo. The issue of tax facilitation and tax exemptions are an important incentive for 18% of the diaspora that have thought of investing in Kosovo in the following 10 years. An almost equal percentage of the surveyed diaspora population living in Germany considers programs for offering qualified workers (16%) and access to loans with low interest rates (15%) as the most important incentive for their investment, while some 11% would welcome support in accessing foreign markets.

![Graph 9: Type of support that Diaspora needs to assist their investment in Kosovo](image)
As stated earlier in this report, there is a significantly high percentage of the surveyed Kosovo diaspora living in Germany that expressed their lack of interest to invest in a business in Kosovo in the next 10 years. In our research, we were keen to understand their reasons for this lack of interest. The findings of the study reveal that the most important reason for the surveyed diaspora living in Germany who are not interested in investing in Kosovo, is the lack of the rule of law (37%). This barrier was highlighted among all the stakeholders included in the study.

‘Laws (in Kosovo) are the barrier of economic development in the country because they are not harmonized. So you face 5 or 6 laws if you want to open a business. One law favors you and the other discriminates you, so there is a discrepancy between laws. At some point it becomes impossible to develop an economic activity because of the legal base that rejects you but also contradictory meanings of different laws. (Kosovo diaspora businessman who invested in Kosovo, November 2020)

Almost a quarter of the surveyed diaspora in Germany (23%) have no interest because of the unfavorable state policies, whereas few of them consider the long distance to be an obstacle (6%). Surprisingly few consider the lack of human resources (4%) and the small size of the Kosovo market for doing business as their main reason to stay away.

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\text{Graph 10: Main reasons why Diaspora have not thought about investing in a business in Kosovo}
\]

\[
\begin{array}{|c|c|}
\hline
\text{Reason} & \text{Percentage} \\
\hline
\text{Lack of rule of law} & 37\% \\
\text{Unfavorable state policies} & 23\% \\
\text{Other} & 6\% \\
\text{Long distance to Kosovo} & 5\% \\
\text{Lack of qualified human resources} & 4\% \\
\text{Kosovo is a small market} & 3\% \\
\hline
\end{array}
\]

1.4. Returnees and circular migration
1.4.1. Returnees and repatriated Kosovars

According to Police and the Department of Citizenship, Asylum and Migration the number of readmitted persons (forced and voluntarily) only during the 2013-2016 period was 41,481, more than half of which (54%) were readmitted by force and the remaining (46%) voluntarily\(^\text{10}\).

The issue of returnees is a subject on its own and requires a thorough study for the barriers that returnees face in integrating in Kosovo society. However, for the purposes of this study, we will just briefly go through some of the issues that

It would be fair to start with the conclusion that according to most of the interviewed stakeholders, the returnees are almost never returning on their own free will. In general, the interviewed stakeholders divide returnees into a large group that had a choice of staying abroad, but returned intentionally, and into a small group who were returned because they lacked proper documentation to live abroad.

While the percentage of the returnees who chose to live in Kosovo is considered low, it is a common belief among interviewed stakeholders that these returnees have a more or less clear reintegration plan and strategy; thus, their challenges are considered as less prominent.

The type of difficulties this group of returnees face strongly depends on the age and length of time they have been absent from Kosovo, as well as from the type of category the returnees fall in: willingly or unwillingly returned. Children and young adults who have been born in other countries may face problems that relate to the knowledge and comprehension of the local languages in Kosovo, which then leads to communication problems with their peers and creates learning barriers in school. The issue of returnees who were unwillingly returned to Kosovo remains as the most concerning.

The issue of unemployment remains a concern for them, as it is for the population having lived continuously in Kosovo, with some interviewed stakeholders considering that the re-integration process is facilitated only via family relations and family assistance, not because the

Government has assisted returnees in this matter and the percentage of beneficiaries of Government reintegration program in 2016 has reached 44% while in 2015 only 15% benefitted from this program, even though the budget allocated for the support was higher in 2015 than in 2016 (2015 - 2,112,671.00 Euro; 2016 - 2,001,719.00 Euro)\(^\text{11}\). Yet, according to a number of stakeholders included in the qualitative research, these returnees are not to be sufficiently prepared for work and in need of undergoing specific work training programs. Moreover, it has been emphasized by some interviewed stakeholders that returnees might face difficulties in ‘know how’ because of the lack of knowledge of the local work culture and how things work in the country.

Having taken note of re-integration needs, according to the Government officials included in the study, Kosovo Government is designing a specific program for supporting returnees and facilitating their integration in the “new” society, relatively different to what they have experienced abroad, with the aim of facilitating a ‘sustainable

\(^{11}\) National Strategy for Sustainable Reintegration of Repatriated Persons in Kosovo 2018-2022, Ministry of Internal Affairs, 2017
reintegration of returnees’.

‘We as a Government, are working on creating a program for reintegration of repatriated returnees with the new migration strategy that is being prepared for the support of the unwilling returnees throughout the ‘Sustainable reintegration of the returnees’. (National Government Representative, November 2020)

According to national government representatives included in the study, the government has created the required infrastructure through regional coordinators and through their office at the airport. The aim is to provide information and all the institutional support to the voluntary returnees, which includes information about recent changes in the country, additional information on housing and renting, and even financial support for those returnees who plan to open a business.

‘for example, if a returnee wants to open a business, we provide them with the names of the companies that might help them open that business and provide them with business counselling for free and we provide them with a financial aid of 3000 Euros for start-ups and we stay close to them during their first year with whatever they need. Other than that, for the companies who hire them, we subsidize 50% of their salary for the first 12 months. We also assist them in house rebuilding, renovation, refurnishing, medication, etc., so we have specific programs for each category of returnees by supporting them in all aspects, economic, social, etc.’ (National Government Representative, November 2020)

However, returnees from Germany included in the study apparently did not have the chance of utilizing the above-mentioned privileges. On the contrary, they claim that the Government has not done anything to support their reintegration in the society.

‘We have opened our business for almost a year now and the state hasn’t provided any type of assistance for start-ups or as a new business considering the problems we face. It would be good if the government would provide support for start ups, at least with equipment for a start and then with other things ‘ (Kosovo Returnee from Germany, November 2020)

‘Returnees face a lot of problems, such as housing, employment, poor social conditions, poor support from the state or lack of support. There is no aid, grant or subsidy offered by the country for us returnees which makes things even harder for us. If the state manages to link us to a grant throughout an international organization, it takes too long. I have waited for 2 years to receive an aid from these organizations by following a training program which was mandatory. After the training, I’ve waited for another 6 months to rent the store and I had to pay for the rent myself for six months because the grant money was delayed. This model was not efficient because I spent all the money while waiting what I was promised. The state did
not do anything in this matter.’ (Kosovo Returnee from Germany, November 2020)

While the issue of returnees who were returned unwillingly is considered as deserving more attention, interviewed stakeholders believe that the government should additionally design programs for brain gain and return of talents back to Kosovo. According to some interviewed stakeholders, Kosovo should work towards increasing the transparency and meritocracy, especially for professional job positions in the public sector, in this way benefiting both the quality of the public sector labour force and the job prospects for skilled returnees.

‘One of the things that could be done is to offer more equality to diaspora. For example, if the University of Prishtina would hire academic staff based on meritocracy, or public institutions, national or local government institutions would do so, then we could incentivize the diaspora to consider returning back home to give their contribution and see if they could reintegrate in Kosovo society. In current circumstances they (the diaspora) think it is impossible for them to access the job market in Kosovo, especially in the public sector’ (Local and International Economy Expert, November 2020)

‘The Government should have a special program with allocated budget for this together with the donators, with a clear strategy and vision of bringing these experts [Kosovar experts living abroad], have a budget for them, paying their daily expenses and travel expenses because this would be a sustainable investment’ (National Government Representative, November 2020).

To conclude, findings of the study do not indicate any specific institutional effort in the direction of brain gain and return of talents from abroad. Nevertheless, it has been highlighted by the national government officials that there are programs, and they are working on more programs to integrate returnees who have been sent back from abroad to live in Kosovo.

‘We are thinking of creating a specific website which would have all the information, addresses and contacts for the persons who are interested to return to live in Kosovo... so for returnees and potential investors we are creating programs which will allow them to connect with institutions or the persons they need in order to make the social and economic integration process easier’ (National Government Representative, November 2020).
1.4.2. Circular migration

The concept of circular migration varies from country to country. There seems to be a lack of harmonization even between EU countries in a subject of definition and the measurement of the concept of a circular migration. In a broader sense the circular migration means a repeated migration of an individual between country of origin and destination, respectively migrants sharing work, family, and other aspects of their lives between two or more locations.

In many cases the circular migration has been considered to be beneficial both: country of the origin and country of destination. While this will help the country of destination to quickly overcome skills shortages, for the country of the origin it can relieve the labor surpluses and offer migrants employment, higher wages and work experience.

Although a common phenomenon, much more common than it looks from the outside, circular migration is not a clear concept to most stakeholders interviewed, especially in the way of how it occurs. While some interviewed stakeholders associate this occurrence with illegal circular migration or underground economy, others consider it as an exchange of human capital and expertise.

Nevertheless, in all the views, there is no doubt that the Kosovar diaspora plays a crucial role either as intermediary or as a direct job provider. Having in mind that around 400,000 members of the diaspora are established in Germany alone, they are well placed and highly determined to provide their family members migrating from Kosovo with contracts, housing and whatever they might need for a start.

Furthermore, perspectives of the interviewed stakeholders vary a lot on this matter. While some of them consider this as good for Kosovo’s economy and the skill development of the workers, there are those who believe that, in the long run, circular migration can have a negative effect.

Yet, motives or drivers of circular migration are crystal clear. While countries such as Germany or Switzerland need a helping hand from specific professional or semi-professional workers, Kosovar citizens need a job that will pay off. The national government officials interviewed for this study accept responsibility for emigration and agree that the reason for it is entirely the state’s fault for failing to provide employment, safety and security, and overall welfare.

The interviewed stakeholders who consider migration as positive argue that this is a natural, global phenomenon. Experts from Germany constantly move to the USA or Canada for better salaries and working conditions, and Kosovars apparently show the same practice, especially
if they are professionals, such as those in the IT sector. In case of Kosovo, according to the stakeholders included in the study, circular migrants are mainly involved in construction and production, implying that they are mainly semi-skilled workers.

‘There are many people who work in Germany and Kosovo at the same time. There are people that come to Kosovo for six months to train others in education sector... We have a case when a person from Germany went to Hani Elezit municipality and consulted them how to work and improve their environment. That same person stayed in Junik and Hani Elezit to give them recommendations related to the environment in their municipalities’ (Diaspora member which invested in Kosovo but lives in Germany, November 2020)

While long term migration (to Germany) is considered as empowering in terms of financial sustainability, of skills improvement and maybe of creating a potential investor for Kosovo in the future, economic experts and some investors, interviewed for this study, argue that temporary or circular migration does not have the same impact. On the contrary, it might be damaging for the time being, because if many people leave the country, the purchase power drops, consumption is reduced, and that directly impacts the economy. Most people who leave Kosovo do not have any qualification and this has a negative impact, because they won’t even manage to save sufficiently to send money back to their family members in Kosovo. Moreover, issues such as social acceptance by the destination country, discrimination and alienation are concerns that should be considered in the calculation as well.

‘One whole industry that suffered from this type of emigration is the wood industry in which in a village of Ferizaj called Greme, a large number of the population migrated to Germany and even the salaries were not that high, somewhere around 1200 or 1300 euros, while here they were 600 or 700 euros. If you subtract the taxes and the rent in Germany, food etc., it turns out that it is not worth leaving your family and your country.’ (Local economic expert, November 2020).

It is reasonable to argue however, that if the migrants have no skills, they would be unemployed in Kosovo. Due to unemployment, the purchasing power would be limited and they will not be able to gain new skills while the circular migration on the other hand, would provide the migrants with the opportunity to learn new skills increase their income and support their family living in Kosovo.

Moreover, some interviewed stakeholders believe that incomes are not the only driver for migration, but so are the complementary benefits that countries as Germany have to offer, for example a proper healthcare system and a proper education system for the children of migrants.

Whatever the reasons or the forms in which it is occurring, the national government stakeholders interviewed for the study believe that migration is a difficult process to control.
According to Migration Policy Institute (Graeme Hugo, 2013), effective management of circular migration to facilitate development and poverty reduction requires cooperation both within national governments and between origins and destinations throughout migration agencies in both origin and destination countries\(^{15}\).

The stakeholders included in the study believe the same thing; the most proper way to have at least some control over it, is by creating more recruitment companies through which they hire people from Kosovo to work in Germany. Yet, although recruitment agencies are already operating in Kosovo, especially for the German health sector, but this has not given the Kosovo government better control over migration.

Moreover, some of the interviewed stakeholders believe that the government should create an education and training system, through which people would be able to gain skills that allow them to work from Kosovo without moving to Germany, implying mainly the training of technology experts and experts in similar fields.

To summarize, the concept of the circular migration is perplexing and cloudy, mainly related to how frequent is this occurrence is in terms of numbers and most importantly, how it occurs and what are the benefits of the circular migration in general. The findings could indicate lack of public discussion on the definition of the circular migration on the first place and even less on potential benefits that this type of migration can bring to the country of origin.

\(^{15}\) https://www.migrationpolicy.org/sites/default/files/publications/Circular-Migration.pdf
Discussions and Recommendations

The diaspora, as the study findings reveal, is highly engaged in people’s lives in Kosovo, mainly driven by the emotional connection and family bonds, rather than any other incentive. Their impact on the society, although individual and completely unstructured, through remittances, frequent visits, business investments and facilitation of circular migration impacts the lives of a large portion of the Kosovo population in a tremendously positive way, as a helping hand for better or worse and most importantly, unconditional.

This relationship, while it has been going on for decades now, faces a risk of diminishing with the changes in family values, i.e. the shift from a collective society to a more individualistic one. While the generation of the diaspora who migrated to Germany before 1999 might get old and become incapable of supporting family members in Kosovo upon their own retirement, their children might hardly be interested in continuing supporting financially their relatives living in Kosovo, especially if they rely only on emotional connections which might fade away due to the dynamic of life.

While their help is beneficial to Kosovo, channeling the diaspora’s financial input in a way that provides the best possible output and make their impact on Kosovo long lasting instead of mainly financing consumption, is seen as an absolute necessity by majority stakeholders interviewed in the study. To do so, this study recommends the following steps:

Facilitating potential investments. As the study’s findings reveal, there is an attempt from the national government, diaspora investors, the diaspora population in general and economic chambers and organizations to serve as the bridge from Kosovo to the outside world, especially to the diaspora. Each of these stakeholders is doing what they think it’s the best, but without a clear long-term strategy and plan towards a common goal.

This lack of coordination is resulting in a lot of unnoticed work for all the stakeholders involved, without any exemption. While the national government follows its own path and believes it is making an impact on the targeted population, the targeted population does not notice the effort of the national government and vice versa. There seems to be a crack in the communication chain between stakeholders. It is worth mentioning that all the actors in this matter gaze at the national government, whose role and activities are seen
as mandatory in managing and organizing the structure of the relationship between stakeholders in Kosovo and the diaspora.

Thus, it is recommended that the national government’s responsible institutions regarding the matter of diaspora and foreign investments to further strengthen their relationships with diaspora stakeholders and (national and bilateral) economic chambers.

There is an indication that the current strategic plan by the government for the diaspora 2019-2021 is not very clear or it is having issues being implemented properly. This plan needs a thorough consultation with strategic partners and economic experts in order to maximize its impact and formulating a successor plan for 2022-2024.

Throughout the whole study, it is clear that there are gaps in the interpretation and implementation of laws regarding foreign investments. These gaps should be identified, removed and, most importantly, the efforts and the results communicated to the diaspora.

The taxation facilitation is considered as an urgent priority by all the stakeholders included in the study and it is considered as a concrete step forward towards attracting foreign investments.

The agreement process should be initiated with relevant states, Germany in particular in order to incentivize the investment.

The lack of qualified human resources, or, more precisely, the insufficient number of qualified workers is another identified barrier that potential investors face when looking at the potential investment possibilities in Kosovo. Thus, identifying the human resource needs of the potential investors and creating the programs to fill in the human resource gap is recommended.

Brain gain. Even though a poor country is facing a lot of social and economic problems, for many of the interviewed stakeholders in the qualitative research, Kosovo is an attractive place to live in, especially because of the social relations and family aid. This is even more true if they manage to get a job that is fulfilling and if it fills their need of contribution to the homeland.

Forward-looking policies to attract skilled diaspora to engage economically in their country of origin, where they would be able to deploy their professional skills, should be considered. National Government representatives believe that a specific strategy should be drawn, with an allocated budget in order to hire the diaspora experts on short term projects as experts so that
they can be able to contribute to the country with their expertise and at the same time strengthen their bond with family members in the country of the origin. Some interviewed stakeholders believe that for a start, it would be sufficient if the hiring process in the public sector is transparent and opened only for the diaspora to apply. Moreover, a special fund for supporting distinguished students of diaspora could contribute to brain gain in long term according to stakeholders included in the qualitative research.

IT sector. It is evident that the investments in IT sector from diaspora are very low, regardless of the investment might be linked to the fact that the diaspora in Germany is mostly found in construction, and that they are unfamiliar with the IT sector as a business opportunity. To bridge this gap could be a recommendation to the KDWV.

Returnees. There is an indication of the lack or of partial knowledge about support schemes for the returnees. Hence, it is recommended that the government should communicate its existing support schemes to returnees more actively.

The topic of returnees is a complex topic and needs to be looped and elaborated in a separate study. The issue of repatriation and reintegration, the types of problems returnees face and potential policies that could contribute to the Kosovo economy benefitting from their return need a more thorough exploration and explanation.

Last, but not least is the necessity for the rebuilding of a positive image of Kosovo in the eyes of the diaspora and international investors. There is an overall perception that Kosovo is a small country facing a lot of poverty, corruption, lack of rule of law, nepotism, lack of professionals and other types of characterizations that impact negatively on potential investors. As a matter that needs urgent consideration, the Government should work on a strategy that shows substantial effort towards fighting the corruption and nepotism, especially throughout public transparency.

It is inevitable to highlight that there might be underlying issues within each research question listed in the objectives section that were covered briefly or that did not emerge in the later text, mainly due to the large number of topics covered in this study. Thus, it is recommended to have a follow-up analysis on each research question in order to dwell deeper into each problem.
Annex 1.
Survey Questionnaire
Survey with Kosovo Diaspora in Germany

Kantar together with German-Kosovar Business Association, are doing a research among Kosovar diaspora living in Germany and we would appreciate if you could spare few minutes to answer the following questions. Your responses will be completely confidential in accordance with international standards of the conduct.

BODY

**P-1.** In the past 10 years, have you or your family invested in a business in Kosovo?

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**P-2.** In which sector does the business you invested in, operates?

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P-3. What type of support would you need to further develop your business in Kosovo? MULTIPLE RESPONSE

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P-4. Have you or your family ever thought of investing in a business in Kosovo in the next 10 years?

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P-5. In which sector have you thought of investing in Kosovo?

P-6. What type of support would you need to assist your investment in Kosovo? MULTIPLE RESPONSE

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P-7. What are the main reasons why you haven’t thought of investing in a business in Kosovo?  
**MULTIPLE RESPONSE**

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P-8. Do you or your family own a private business in Germany?  

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P-9. In which sector does your business in Germany operates?


DEMOGRAPHY

D-1. Gender
   1. Male
   2. Female

D-2. Age

D-3. Including yourself, how many members does your household count? ____________ members

D-4. Please write down your email address if you’re willing participating in our surveys again?

_______________________________

THANK YOU FOR YOUR TIME!
Annex 2. Guide for In-depth Interviews

In-depth Interview guide

INTRODUCTION

1. Interviewer will begin with explaining the interview situation & rules
   • Need to hear their honest opinions, impressions & feelings
   • No right or wrong, no good or bad answers exist
   • But most important, to explain the reason why for their opinions
2. Confidentiality – answers will be reported anonymously.
4. Self-introduction of respondent (name, age, family status, occupation)
1. What would you say is the impact of the Kosovo Diaspora in Kosovo’s economy and wellbeing in overall? (probe if not specified: would you say it has a significant impact).

2. What about the presence of the businesses opened by Kosovo diaspora in Kosovo? How significant would you say is their presence? Do they make a difference? How? (please specify). (probe if not mentioned spontaneously: what would you say is their impact on the economic development of the country? Why?).

3. Do you think there has been done enough work to facilitate and stimulate the investment and development of Kosovo diaspora businesses? Why is that? What more should Kosovo government do in order to incentivize the diaspora to link their businesses founded abroad to Kosovo? What type of policies should be applied or steps taken?

4. What about other stakeholders? Who should do what? How can the diaspora be a part in the future development of the country? What could be their input and enrollment? What are the steps that we as a country should take in order to facilitate their role in the future development of the Kosovo? What else can be done? And who should be dealing with this?

5. What would you say is the impact of the remittances specifically in economic development of the country? Do you believe they stimulate growth? How come? What about the social impact of the remittances? How would you say they impact social values of Kosovars living in Kosovo? Why is that?

6. Do you think that remittances are being used productively at the moment? What should change here? How can they be used more productively? What steps/policies should the Kosovo government implement in order to support this process? Any example what other countries did that we should refer to it as a model?
7. Changing gears a little bit – how involved do you think is diaspora in circular migration? Why is that? How could the diaspora be better involved in this process? How should they be incentivized? What should Kosovo stakeholders do regarding this matter?

8. Which challenges do potential returnees face? Any other? How can they be effectively integrated into domestic economies and societies? Any other alternative?

Thank you for your participation!
Dear Sir or Madam:

The mission of the German-Kosovar Business Association (KDWV) in collaboration with Kantar (Index Kosova) is conducting a research study on Diaspora Involvement in the future economic development of Kosovo. The main objective of the study is to identify bottlenecks that are holding the Diaspora back from investing in Kosovo, but also to offer recommendations how to use the potential of Kosovo’s Diaspora in Germany for the economic development of the country, while using remittances more productively. The findings of this study will provide information that will serve in strengthening the legal and policy framework in order to attract and increase investments from the Diaspora, give recommendations how to use remittances in a more productive way.

You have been identified as a crucial stakeholder in this study and your input is highly valuable for the findings of this research.

For further questions and comments, please feel free to contact Nora Hasani (nora.hasani@oegjk.org) or Vlora Basha (v.basha@indexkosova.com)

We thank you in advance!

Nora Hasani (KDWV)

Vlora Basha (Kantar)