5. THE ROLE OF MIGRATION AND REMITTANCES

A. INTRODUCTION

5.1 Migration for Kosovars has been a tradition for many decades, and Kosovo is among the countries with greatest migration in Europe (and in the world).\(^{48}\) In the 1990s, outmigration accelerated because of the hardships of the war, and culminated in 1999 when hundreds of thousands Kosovars had to leave. However, the resolution of the conflict a decade ago does not seem to have provided incentives for the migrants to return (apart from those that were sent back by host countries providing temporary refuge). Migration has provided a safety valve for large part of the population, providing a source of livelihood in an environment of very high unemployment and poverty rates. Remittances have also provided a safety net, helping households diversify their livelihood strategies. For most of the poorest families, remittances represent over 70 percent of their income.

5.2 The pace of migration has not been affected much by the economic crisis. Following the end of the conflict, the pace of migration increased until 2007, and then slightly decreased in 2008. However, it is not clear whether the trend reversal in 2008 was a result of the economic crisis. This might have been just a temporary phenomenon because the migration survey results show that in 2009, the level of migrants reached at least the level of 2007. During this same period, remittance flows remained stable.

5.3 Moreover, the expectations for future migration remain high. About 3.5 percent of the working population age 15 years and older report they are likely to migrate during the next 12 months. An additional 2.1 percent state that they are likely to migrate within the next five years, though often self-reported data on the intention to migrate overestimate future flows. In 2008, the outflow of migrants was about 0.6 percent of the working population. Even in 2007, which saw the peak of outmigration, only about 11,000 migrants left Kosovo (approximately 1 percent of the working population). However, despite the magnitude and history of migration, Kosovo has not yet developed a migration policy and the institutional set up to deal with migration issues is extremely weak.

5.4 Because migration will continue to be an important aspect of Kosovo’s economic reality, the authorities should explore how to maximize the benefits of migration and their contribution to economic growth and poverty reduction. This chapter describes the nature of migration in Kosovo and its impact on economic growth, with a focus on migration trends, impact on labor market outcomes, poverty and investment. It also presents policy proposals that could enhance the contribution of migration to Kosovo’s economic development.

\(^{48}\) Unless otherwise noted, the data in this chapter come from the Migration Survey or a subsample of the survey that links to the Household Budget Survey (HBS) 2009 (50 percent of households were available from HBS 2009 to allow linkage of the two datasets).
5.5 The analysis is mostly based on a unique data source: the Migration Survey that was conducted in the spring of 2009 (Box 13).

Box 13: Migration Survey 2009

The Migration Survey took place between April and June 2009. In total, 2,024 households completed the survey. The details of the Migration Survey are presented in the basic information document (SOK and World Bank 2009). To summarize, the survey:

- Is nationally representative and representative at the strata level of region, rural/urban, and ethnic Kosovar Albanian and Serbian areas.
- Covers migrants (current and returned) and nonmigrants and includes modules on demographics, length of migration, income levels, and composition of employment sectors. A few demographic questions are also collected from migrant sending households, including the returned migrants.
- Benefited from an updated listing of households used in the master sample of Kosovo’s population, which should ensure greater accuracy than previous surveys.
- Is designed to link to the HBS 2009 so that data, particularly on consumption levels of the household, can be linked.
- Is designed to be comparable with HBS 2005, which included some questions on migrants and remittances.

Two Important Methodological Notes
1. This report is based on a new population estimate from the Migration Survey 2009 using an updated listing of households in the master sample. The population estimate of almost 1.7 million (see Annex 6, Table A6.1) differs from estimates used by previous analytical studies, including those by the World Bank. The last full population census in Kosovo was in 1981. Since then, various methods have been used to estimate the population. From 2000 until 2008, the population headcount was estimated to be 2 million, and various studies were based on this number. This analysis uses the same population estimate as the HBS 2005/6 (1.6 million), and the results have not been poststratified to 2 million as in some of the previous reports. Care should be taken when comparing the aggregate estimates of the present migration study and previous studies. The total number of migrants can only be estimated more accurately when a census is conducted in Kosovo.
2. The households with migrants covered by the survey are only those that have at least one household member living in Kosovo at the time of survey. Therefore, households that have migrated entirely are not represented in the sample. Therefore, the survey, even if representative, cannot provide an overall estimate of the total number of migrants living outside Kosovo.

Source: SOK and World Bank (2009).

B. Migration from Kosovo

5.6 Kosovo has one of the highest emigration rates among the transition economies, with migrants moving mostly to Western Europe. One in every four households in Kosovo has at least one household member living outside Kosovo. The main destinations have traditionally been Germany and Switzerland, where almost 60 percent of the total migrants have gone. More recently, other European countries, such as Italy, Sweden and Slovenia, have also become destinations for migrants.
5.7 **The average age of migrants has been rising since the early 1990s.** The average age at the time of migration used to be 19 years in the early 1990s, and gradually increased to 29 in 2009. This is likely to reflect that during the war years many young people left as political refugees (ESI 2006). In recent years, migrants have come from the age group most likely to be unemployed. More than 90 percent of all migrants are 20–35 years old. Since 2000, the average age of women migrants has been slightly higher than men. In the early 1990s, women migrants were younger than men, for example, three to five years younger than men during 1991–93.

5.8 **The key motivation of migration from Kosovo is employment.** At the end of the 1990s, war was a major cause of migration, but now it has been supplanted by unemployment. Migration for family reasons (including marriage) has been rising since 1999.

**Figure 17: Migrants’ Resident Status in Destination Countries (share of total)**

![Graph showing resident status distribution](image)

Source: Migration Survey 2009.

5.9 **The long-term nature of migration poses the question as to how long migrants will maintain close ties with Kosovo.** Almost 80 percent of migrants from the migration survey were citizens or permanent residents of the destination country. Over 70 percent of them have migration stays of over five years. This seems quite different from what is observed for other Balkan countries. For example, much of Albania migration has been temporary and short term in nature, whether seasonal or circular (Baldwin-Edwards 2002; Carletto and Kilic 2009). Of the migrants who have returned home, they can be best characterized as short-term migrants; over 70 percent of these return migrants had stays of less than five years.

5.10 **Remittance trends in the past decade prove that the links between migrants and their families in Kosovo remain strong.** The level of recorded migrants’ remittances has increased substantially since the late 1990s. According to Balance of Payments (BoP) statistics,

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49 Young people migrating or being displaced as refugees due to war and conflict is widely observed in many other conflict countries. In war time, parents typically send their children first to secure their safety (for details, see Boyden and de Berry [2005] and Hart [2008]).
remittance flows increased by about 270 percent between 2000 and 2004, but have been relatively stable since (see Table 21). However, most of these flows come via informal channels so the balance of payment statistics might not capture all flows. Improvements in the data collection methodology in recent years have helped capture better remittance flows (though the “Errors and Omissions” category in the BoP remains large and might include unrecorded remittances).

Table 21: Remittances have been the largest external source of financing for Kosovo (as percent of GDP unless otherwise noted)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remittances</td>
<td>12.2</td>
<td>13.9</td>
<td>15.0</td>
<td>15.1</td>
<td>13.9</td>
<td>12.9</td>
</tr>
<tr>
<td>Foreign direct investment</td>
<td>1.5</td>
<td>3.6</td>
<td>9.3</td>
<td>12.6</td>
<td>8.9</td>
<td>7.8</td>
</tr>
<tr>
<td>Exports (of goods)</td>
<td>2.2</td>
<td>2.3</td>
<td>3.9</td>
<td>5.2</td>
<td>5.7</td>
<td>4.2</td>
</tr>
<tr>
<td>Donor support</td>
<td>11.5</td>
<td>12.2</td>
<td>10.2</td>
<td>8.7</td>
<td>7.5</td>
<td>8.6</td>
</tr>
<tr>
<td>Errors and Omissions</td>
<td>6.2</td>
<td>7.8</td>
<td>8.8</td>
<td>6.8</td>
<td>3.2</td>
<td>6.9</td>
</tr>
<tr>
<td>GDP (thousands of euros)</td>
<td>2,928</td>
<td>3,005</td>
<td>3,118</td>
<td>3,411</td>
<td>3,849</td>
<td>3,843</td>
</tr>
</tbody>
</table>

Source: IMF and World Bank estimates.

5.11 Remittances are rarely transferred via banks, so these substantial funds are not directly contributing to the development of the banking sector. According to the migration survey results, less than ten percent of remittances are sent via bank transfers to Kosovo. Almost half of remittances come via money transfer organizations, such as Western Union, which is often the most expensive method of transferring funds. If a larger share of remittances would come through bank transfers, these funds could contribute to expanding the deposit base of banks, which in turn could allow for further credit expansion. It may also motivate people to use more bank services which would reduce the excessive reliance on cash in the economy, and in turn informality.

Figure 18: Ways of Transferring Remittances in Kosovo (share of respondents)

Source: Migration Survey 2009.

50 One should be aware that problems of data quality are pervasive. Due to the difficulties of measuring remittances sent outside of formal channels, estimating total remittances is difficult and the total value of remittances is potentially much higher than what is captured or reported.

51 The Migration Survey shows that Western Union constitutes the main vehicle of money transfer for remittances in Kosovo, followed by remittances hand carried by relatives and friends returning to Kosovo.
5.12 **High transfers fees charged by local banks are probably one of the reasons for the low use of bank transfers.** It seems that fees for receiving a bank transfer from abroad are much higher in Kosovo than elsewhere in the region. Some of the leading banks have a fixed amount fee (for transfers up to certain amount), so sending small amounts (which is often the case) bears a high relative cost. For example, receiving 100 euro via bank transfer has a fee of five euro, or five percent of the value of the transaction, and the fee for receiving 500 euro amounts to two percent of the funds transferred. Transfer fees in the rest of the region are much lower going from zero in FYR Macedonia to not more than two percent for 100 euro transaction and 0.5 percent for 500 euro transaction in the other countries. If bank fees were to be reduced and larger share of remittances flow through the banking sector, this would increase both the deposit base but also the revenue from transfer fees. For example, if most remittances (e.g. EUR 500 million) came through banks and the fees were reduced to about one percent on average, banks would earn EUR 5 million in transfer fees only (which is more than a fifth of the total banks’ profits in 2009). It is important to not though that other factors, such as banks’ branch network and financial literacy of the population, could be equally important in determining the use of banks as a transfer channel.

<table>
<thead>
<tr>
<th>Source: World Bank staff estimates; fee charged by the leading local banks</th>
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</thead>
<tbody>
<tr>
<td>* Several banks have introduced joint bank accounts with Greek and Italian banks which allow free of charge transfers</td>
</tr>
<tr>
<td>** If funds are kept on the account for some period (between seven and thirty days)</td>
</tr>
<tr>
<td>*** If funds are kept on the account for thirty days, otherwise 2 euro</td>
</tr>
</tbody>
</table>

5.13 It is interesting to note though that over half of households from the Migration Survey expect a decline in remittances received in the next 12 months. The survey was conducted during a period when most of Europe was still in a recession, so this could explain the downward expectations. Preliminary data do not yet confirm this, remittances declined by less than 10 percent in 2009, but effects from the crisis might still be coming, with some lag because migrants could be sending remittances from their savings.

C. MIGRATION IMPACT ON LABOR MARKET OUTCOMES

5.14 **International migration can have important static and dynamic effects on domestic labor markets.** These effects include: (i) affecting the labor market participation of those left
behind, (ii) the employability of returned migrants if they have gained valuable skills or information abroad, or (iii) affecting demand for labor due to remittances, for example, remittances being invested and creating new jobs, or remittances being consumed on some items—such as housing—which generate a new indirect demand for labor. The following section shows that the effects of migration on Kosovo’s labor market have been mostly positive: besides alleviating labor market pressures (as most migrants are unskilled and unemployed), the economy has benefited from “brain gain” of the (few) returning migrants. However, the high remittances might be raising the reservation wage for the recipient households, which in turn would keep people out of the labor market.

5.15 In Kosovo, households with migrants participate less in the labor market than households without migrants. The labor force participation rate\(^{52}\) for households with migrants is 14 percentage points lower than that of non-migrant households (45 percent versus 59 percent). In addition, unemployment in migrant households tends to be much higher than in non-migrant households. The lower labor market outcome for migrant households could be partly explained by the fact that the head of a migrant household is more likely to be female, older, and living in rural areas (population groups that have higher unemployment, as discussed in the previous chapter). But, the lower labor force participation may also be due to the higher reservation wage that remittances set, which has been found statistically significant in number of empirical studies. At the same time, the fact that the same share of individuals from migrant and non-migrant households say that they are willing to work points out that the reservation wage might not be a major deterrent to work. Further analysis would be warranted to draw the right conclusion on this.

5.16 In terms of salary levels, returned migrants seem to be performing slightly better compared to non-migrants. Returned migrants are not necessarily more skilled than individuals who have never migrated, however, their wages seem higher on average (Figure 19).\(^{53}\) Returned migrants earn significantly more at all skill levels (see Annex 7, Table A7.4). This could be due to the fact that returned migrants have different characteristics coming from “selection biases” which have not been captured by the survey. For example, returned migrants could have been more motivated or risk-averse and promoted faster, which could be reflected in their wages.

\(^{52}\) Total labor force is the number of individuals of working ages, that is, between 15 and 65 years. Not worked in last six months is without a job in the last six months, but seeking jobs out of the total labor force. Employment rate is the share of working population of working age who are working.

\(^{53}\) Skill levels are categorized by type of occupation according to the degree of professional skills required: high skills are professional and management, such as doctor, manager, scientist; medium skills are technical, clerical, cashier; low skills are workers in agriculture, mining, machine operators, driver, and so forth.
5.17 The type of migration that Kosovo has experienced so far cannot be qualified as “brain drain”\textsuperscript{54} because the majority (92 percent) of migrants have attained no more than a secondary level of education. Only 5 percent of migrants had a bachelors degree at the time they left Kosovo. However, given the high rates of youth (aged 15–24 years) unemployment in the country (72 percent), it can be expected that in the future brain drain could become more of a problem. A youth study (World Bank 2008f) suggests that it takes on average 10 years for an individual to find work after university.

5.18 There is some evidence of a “brain gain” for Kosovo. Among returned migrants, those in high-skilled occupations are more likely to have increased their education level and be contributing to Kosovo’s labor market. Of those working in high-skilled occupations, 25 percent improved their education level compared to 10 percent in medium-skilled occupations and 6 percent in low-skilled occupations. Out of all returned migrants, 8 percent improved their education level while abroad. Women migrants improved their education level more than men while abroad; 14 percent of women compared to only 6 percent of men.

5.19 The role of migration in building up capacity and skills should not be underestimated. Stark, Helmenstein, and Prskawetz (1997) suggest that the hope of migrating in the future might provide a powerful incentive for people to study more, and since not all of the prospective migrants eventually migrate, this can also result in a brain gain. Furthermore, migration can in itself be motivated by the desire to acquire skills and education abroad—note that 3.2 percent of migrants acquire a bachelor or higher degree while abroad and as many as 10

\textsuperscript{54} Brain drain is the emigration of highly skilled or qualified people from a country. In a broader sense, it also includes those who left after a certain level of schooling, such as secondary completed, and obtained a higher education level after migration since they could have had potential to study if they stayed and continued studying anyways. At the same time, if these people gained further education outside and returned home, then that would be brain gain.
percent of migrants improved their completed education level from primary to secondary or from secondary to vocational. If these migrants return, Kosovo could experience a brain gain.

Figure 20: Labor Market Performance of Migrants and Non-migrants, by Skill Level

5.20 Returned migrants are performing better than nonmigrants in the labor market: their activity and employment rates are higher at all skill levels (Figure 17). Returned migrants, with their increased education levels, will continue to contribute to Kosovo’s labor market by utilizing the experience and knowledge they acquired abroad. The issue is whether Kosovo’s labor market will be able to absorb these experienced returned migrants into the workforce with an appropriate skills match and in a timely manner. The previous chapter of this report points out that low labor demand, as well as the lack of skills, is the most important cause of the high unemployment in Kosovo. Creating greater labor demand should accelerate the return of migrants back to Kosovo.

5.21 Having previously migrated is correlated with a perception of better employment prospects. In the Migration Survey, 43 percent of surveyed individuals who had previously migrated reported that migration improved their job prospects. Ten to fifteen percent of respondents reported that their migration experiences provided them with ideas to start up a business or promoted networks with business partners (Box 8 provides an example of returning migrant partnering with a foreign firm). Also, education opportunities are reported to have increased. However, it will be important to continue improving the business climate to ensure that migrants and their households invest in Kosovo and strengthen its production potential.

D. IMPACT OF REMITTANCES ON POVERTY, INVESTMENT, AND GROWTH

5.22 Remittances represent a substantial source of income for Kosovo’s population and hence have a major impact on poverty. Remittances are a critical part of income, consisting of more than a half of average household income for those households in the lower income groups (World Bank 2009h). Removing remittances sent from abroad, the poverty rate in Kosovo would increase by 2.2 percentage points, and the impact would be much larger, expectedly, to the remittance-receiving households. It is important to note though that migrants mostly come from middle to higher income groups. According to the survey, over 55 percent of migrants come
from the two-highest income quintiles of migrant-sending households\(^\text{55}\) (Figure 20). However, if remittances are excluded from household income, then migrants mostly come from the lowest income group (Figure 21, right). This means that migration, i.e. remittances, has helped low-income families move out of poverty and earn substantial income from sending one or more household members abroad.

**Figure 21: Share of Migrant-Sending Households by Income Groups, income includes remittances (left), income excludes remittances (right)**

\(^{55}\) Income includes remittances.

5.23 **The average amount of remittances per household received in a month in 2009 is close to the average monthly salary in Kosovo.** The Migration Survey asked respondents to report the total amount of remittances received *during the last 12 months*. The national average of reported household remittances is €320 per month. The amount is not significantly different between urban and rural areas. This is based on the total remittances captured by the Migration Survey (in the amount of €216 million). However, it is common in such surveys for respondents to under-report their income. According to the BoP data, remittances in 2009 were about €500 million, equivalent to roughly €500 per month, per household.

5.24 **On average, remittances are going to the poorest consumption group (net of remittances)\(^\text{56}\).** In other words, the relative impact of remittance flows on consumption, that is, on poverty, is largest for the poorest households. A similar distribution was found in Tajikistan (World Bank 2009i) though Moldova shows a different distribution (World Bank 2009f). The lowest consumption per capita group received remittances of about €450 per month on average, five times higher than the highest consumption group which received about €90 per month. At the same time, the variance of the remittances is largest among the poorest households. The maximum average remittance amount received by the lowest consumption group is €1,667 per month, while the top three consumption groups received maximum of between €300 and €600 (Figure 21). This could mean that few outliers (i.e. very rich migrants coming from otherwise

\(^{56}\) Households are grouped based on their income excluding the remittances received. Consumption is used as proxy for income. Note that Migration Survey 2009 and HBS 2009 data are matched for only a sub-set of households (i.e. those for which HBS 2009 data was available at the time when the analysis was carried out), so the results from the matched sample should be considered preliminary (See Annex 7).
very poor households) are skewing the picture, and consequently, that remittance flows are typically much smaller (in line with those for the other income groups).

**Figure 22: Remittances Received by Consumption (per Capita) Group (in €)**

![Remittances Received by Consumption (per Capita) Group](image)

*Source: Migration Survey 2009 and HBS 2009 (data for first six months only). Note: Average remittances received in each consumption group. The consumption is the household consumption per capita excluding the remittances received per month from Migration survey. Remittances data come from Migration Survey (annual data divided by 12 months) and the consumption groups comes from HBS data.*

5.25 While remittances have helped decrease poverty, they have not played a major role in stimulating economic activity. The bulk of remittances seem to be used for immediate consumption, and only a small share goes to business investments, or education (Figure 22). When asked to name the main use of remittances, over 90 percent of households mention food and clothing consumption. Eighteen percent of households use some part of their received remittances to invest in a business, and 25 percent of households use some part of their remittances to repair or build homes.

**Figure 23: Uses of Remittances (share of respondents)**

![Uses of Remittances (share of respondents)](image)

*Source: Migration Survey (2009). Note: Multiple responses to survey were possible.*

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57 Self-reported areas on which households spent remittances. Multiple answers (three categories for each remittance-receiving households).
5.26 Remittance-receiving households do not seem to invest more than non remittance-receiving households. They spend proportionately more on transport and communication in the household, but they spend less on food, taxes, pension, and rent (Annex 7, Table A7.5). There are, however, no significant differences in their expenditure shares on education, investment, or other consumer goods (Annex 7, Table A7.6). A study in Albania (Castaldo and Reilly 2007) found that the budget share for utilities and nonfood increased for remittance-receiving households. They argue that the remittances increased the households’ budget shares on expenditure on durable goods and utilities, and decreased their budget shares on food.

5.27 Other countries’ experiences suggest that improvements in the business environment have provided a basis for migrants or remittance-receiving families to invest. The role of diaspora investments and remittances in other countries has been dramatic. In Armenia, a comparable landlocked country with a history of international dispute with neighbors, the government passed reforms to create a more business-friendly environment and flexible financial sector to set the stage, and growth was fueled in part by investments from the migrants or remittances from migrants. From 1994 to 2004 in Armenia, 69 percent of all foreign investments were connected to migrants and 68 percent of all FDI went to migrant-connected firms (Hergnyan and Makaryan 2007).

5.28 In sum, remittances seem to have helped family members to purchase basic necessities, but whether remittances have contributed in any way to investment in business or in education is unclear. A FID (2009) report provides evidence that funding from the diaspora has been critical in starting a business, but preliminary evidence from the migration survey does not support this claim. It seems, therefore, that while the role of migration in providing business ideas is recognized by returned migrants (Figure 23), not all of those ideas translate into investment. Chapter 2 finds that business regulations and corruption are strong deterrents for domestic companies as well as for foreign firms interested in investing in Kosovo. Hence, addressing these and other business environment obstacles discussed in that chapter could stimulate greater involvement of migrants in economic activity in Kosovo.

Figure 24: Benefits of Migration Perceived by Return Migrants (share of respondents)

Source: Migration Survey 2009.
E. SUMMARY AND RECOMMENDATIONS

5.29 Migration has been an important livelihood strategy for a significant share of Kosovo’s population and is likely to remain so for the foreseeable future. Migration has traditionally played an important role in alleviating labor market pressures, and this trend is expected to continue. Moreover, remittances have had substantial contribution to economic development: they have helped receiving households enjoy a better standard of living, and in the case of the poorest households, move out of poverty. The Kosovar authorities could explore ways to further capitalize from Kosovo’s migration. This could be achieved through a set of policies aimed at: (i) developing the institutional framework for dealing with migration, (ii) strengthening the contribution of remittances to the development of the banking sector, and (iii) engaging the Kosovar diaspora in economic activity in Kosovo.

5.30 Successful migration policy requires a strategic vision on the role that migration should play in Kosovo’s development strategy, and an institutional framework to realize this vision. Countries such as the Philippines, which have been very successful in capitalizing from migration, started with a clear vision and strategy as to what could be the contribution of migration to economic development. Implementing a migration strategy needs an institution that would manage migration and would be able to coordinate the various institutions that would be involved in the implementation, given that migration is a complex issue which touches upon many policy areas (education, labor, foreign relations, banking, taxation etc.). The leading institution on migration should also have the necessary capacity to analyze and design policies and to implement these policies through the other relevant institutions. For example, several countries, including the Philippines and Sri Lanka, have created a ministry to accommodate migrants’ needs.\(^{58}\)

5.31 To increase the developmental impact of remittances, the authorities should create the right incentives and environment to channel remittances through the banking sector. One of the reasons for the limited use of banks to transfer remittances is the high transaction cost. Stimulating greater competition in the banking sector, as well as other measures that would support the development of the sector, could also lead to reduction in fees. There are also policy actions that could directly address this issue:

- Design and implement a campaign among commercial banks, first of all, to encourage them to develop specific products for migrants and remittance-receiving households to promote saving.
- Develop the financial literacy of migrants and receiving-households in order to promote the demand for use of formal channels for transfers.

5.32 There are successful examples from countries, including Moldova, Armenia and Philippines where banks have invested heavily in developing specific products and infrastructure related to migration, and the benefits for these banks came out to be far larger than anticipated.

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\(^{58}\) In the Philippines, by setting up a ministry of migration and employment abroad, it helps its migrants by regulating overseas employment recruitment, informing migrants of available resources abroad, providing protection and representation through a migrant welfare fund and absentee voting services, and developing recording mechanisms to understand migrants’ needs (World Bank 2008d).
5.33 Finally, the last objective is to get the diaspora to invest and come back to Kosovo (in particular the high skilled migrants). Kosovo’s economy could benefit a lot from the skills and financial resources of the diaspora. There is a range of mechanisms that have been introduced around the world to attract migrants to return, but the results have been mixed. To encourage Kosovar workers and investors from abroad to return to Kosovo, the authorities should address the same issues that are of concern for foreign firms and domestic job seekers. Improving the key constraints in the business environment identified in chapters 2 and 3 is a necessary condition for the diaspora to get more involved in economic activity in Kosovo. Addressing these issues should create more successful cases, such as Zinkunie (see Box 8 in Chapter 2). It should also shift a larger share of the (substantial) remittance flows toward productive economic activity.