



# Linking Rural Entrepreneurs and Diaspora in Albania and Bosnia-Herzegovina\*

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September, 2013

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\* Prepared in the framework of the Regional Research Promotion Programme in the Western Balkans (RRPP), which is run by the University of Fribourg upon a mandate of the Swiss Agency for Development and Cooperation, SDC, Federal Department of Foreign Affairs. The views expressed in this paper are those of the authors and do not necessarily represent opinions of the SDC and the University of Fribourg.

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## **Abstract**

This report presents the results of a research project, conducted in the framework of the RRPP programme in the period January 2012-June 2013, in Albania and Bosnia-Herzegovina. The project was consisted of three main stages. The results of each stage are presented in separate chapters. In the first stage, econometric analysis of the models of factors determining success of rural entrepreneurs, in order to identify main obstacles to entrepreneurial activities in rural areas in Bosnia-Herzegovina and Albania, was conducted. The second stage was the descriptive statistical analysis of diaspora from these two countries and its possible engagements in economic development of their home countries. In the third stage, review of possible solutions for engaging diaspora in reducing obstacles to rural entrepreneurship, identified in the first stage, developed through selection of best practices from the world and discussion of possible alternatives with key stakeholders in the two countries, are presneted. The main results of the research is a list of possible solutions, agreed among stakeholders, that can be used by the governments in Bosnia-Herzegovina and Albania in order to engage diaspora for rural development of these two countries. In addition, findings from the two separate research activities, one of factors affecting success of rural businesses and another about potential of diaspora, provide some useful insights for all researcher and practitioners working on these two topics.

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## Acknowledgments

This report is result of the 18 months project, funded by the Swiss Development Agency (SDC) through their Regional Research Promotion Programme (RRPP) funds. This research would not have been possible without their financial support, and we are very grateful to the staff of the RRPP and the SDC. In particular, we express our deepest gratitude to the Programme Director, Prof. Nicolas Hayoz, to the Programme Manager Ms. Jasmina Oparidija-Susnjar, and to Ms. Andjela Lalovic from the RRPP Office in BiH for their support in implementation of the project.

We would like to acknowledge great support of our mentors on the project, Prof. Geoffrey T. Pugh and Arnisa Abazi, who have offered continuous guidance during entire project, particularly in developing research methodology and reviewing previous drafts of the report. Also, we thank to Denise Efiyoni Mader, Bashkim Iseni and Didier Ruedin for their help in drafting Diaspora Survey questionnaire. We would like to thank Mr. Joseph Guntern, director of the SDC in BiH, and Dr. Josef Poeschl, for their contributions to the dissemination workshop, Minister Dijana Bilanovic and Ms. Mirela Omerovic from the Tuzla Canton Ministry of Development and Entrepreneurship for their support in organization of the round table in Tuzla, as well as all other participants at round tables and dissemination workshop for their valuable comments and insights. The contribution of agriculture specialists from the Regional Agriculture Office of Elbasan - Mr. Kujtim Gjoni and Mr. Selami Gjoka - in the organization of the round table in Elbasan (Albania) deserves special mention together with specialists of the Albanian Ministry of Agriculture who participated in the round table organized in Tirana.

Finally, we would like to express our appreciation of the time and efforts that the BiH Ministry of Human Rights and Refugees, World Network of Bosnian Diaspora and numerous organizations and individuals made in distributing online survey of diaspora, as well as all interviewees participating at the four surveys conducted (two per country).

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## 1. Introduction

The global economic crisis has, probably more than ever, brought the need for and intensified efforts in identifying and using innovative engines of economic growth and development. When developing countries are concerned, recent economic growth and development literature has paid particular attention to the agriculture and other rural businesses, as well as diaspora from these countries, as potentially important sources of economic development in these countries. Albania and Bosnia-Herzegovina (BiH), as developing and transition countries, face severe obstacles in economic development, especially in rural areas, where majority of the population of these two countries (above 60% in BiH and a more than 50% in Albania<sup>2</sup>) is located (MoFTER 2008). In addition, BiH and Albania are among the top countries with regards to the share of emigrant in total population of countries, being around 50% in Albania and 40% in BiH. This paper presents results of the research aiming at identifying solutions for combining these two sources, particularly in terms of engaging diaspora in supporting increased entrepreneurial activities in rural areas in BiH and Albania.

The research was consisted of three stages. In the first stage, analysis of factors determining success of rural entrepreneurs, in order to identify main obstacles to entrepreneurial activities in rural areas in BiH and Albania, was conducted. This section investigated the factors that hamper larger involvement of population in rural businesses in the framework of the model of determinants of success of firms in rural areas. The focus is on micro and small businesses, run by rural entrepreneurs. The second stage was the analysis of diaspora from these two countries and its possible engagements in economic development of their home countries. In the third stage, possible solutions for engaging diaspora in reducing obstacles to rural entrepreneurship, identified in the first stage, were developed through

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<sup>2</sup> For the first time and probably the last time in the history of Albanian census, urban population has surpassed the rural population by 7% according to the 2011 Albanian Census. This statistics may induce to infer that Albania cannot be defined anymore as a rural country.

selection of best practices from the world and discussion of possible alternatives with key stakeholders in the two countries. The main results of the research is a list of possible solutions, agreed among stakeholders, that can be used by the governments in BiH and Albania in order to engage diaspora for rural development of these two countries. In addition, findings from the two separate research activities, one of factors affecting success of rural businesses and another about potential of diaspora, should provide some useful insights for all researcher and practitioners working on these two topics.

### **1.1. Rural entrepreneurship in Albania and Bosnia-Herzegovina**

Entrepreneurship has an important overall role in the economic and rural development, building stronger than ever relations in rural areas. Entrepreneurship, as a dynamic force for growth, employment creation, and life quality improvement (Petrin, 1994), has been considered a key element in rural development and sustainable economic development. The more entrepreneurial region is, the more it outperforms neighbouring economic regions. Acknowledging the central role that entrepreneurship has in rural development and properly developing environment that is conducive for entrepreneurship (Rehman, 2005) leads to the rural entrepreneurship network that creates a positive business climate and behaviour, decreasing significantly important rural poverty and generating employment, particularly for youth. For the successful and productive environment, it is highly important to understand the factors that influence rural entrepreneurship, which include productive interventions by the state (Petrin, 1994), diversification of products, entrepreneurship promotion and marketing, knowledge transfer and sharing, supply chains and a network of cooperatives and large companies (Rongsen, 1998).

Rural entrepreneurship in BiH and Albania shares its main characteristics. Predominant sector of rural business is agriculture, with low levels of diversification. Predominant form of rural businesses is small farms. Although rural areas in BiH are characterized by small arable parcels per

capita, of less than 2 ha of arable land per farm (Volk, 2008), with approximately 250,000 farms, presenting 25% of the businesses (Volk, 2008), agriculture is very important and persistent way of rural entrepreneurship. Still, large defragmentation and disintegration of small producers, has kept producers mostly related to subsistence agriculture, leading to diminished productivity and inefficiency. Albanian agricultural sector shows a similar situation; strong land fragmentation leading to 467.000 smallholder farms with an average farm size of 1,2 ha of arable land. This highlights the need to identify the most prominent obstacles to rural entrepreneurship and draft a precise, comprehensive and successful rural entrepreneurship strategy to create sustainable rural development, to generate employment and spur innovation.

## **1.2. Diaspora in Albania and Bosnia-Herzegovina**

The causality between out-migration and rural development is very relevant for Balkan countries such as Albania and BiH having one of the lowest degrees of urbanization in Europe (very close to 50% and around 60%, respectively). The drastic decline in the agriculture production (due to the war in BiH or an extreme land fragmentation in Albania) and changes in lifestyle led to a massive out-migration of young people from the rural to the urban areas or abroad. This exodus in turn brought drastic consequences for the rural development where cropland abandonment was the most obvious outcome. Nevertheless, while this massive out-migration might have been a driver for the land abandonment (as suggested by de Sotro et al., 2002 and King, 2005), a potential return migration due to the global financial crisis or other motives may signal the renewal of agriculture entrepreneurship and drive the rural development.

The Western Balkan (WB) countries have experienced a rich tradition in migration. While in the former Yugoslavia (Serbia, Kosovo and Bosnia-Herzegovina, Macedonia and Montenegro), the phenomenon of guest worker emigration started in the 1960s with the intention of alleviating labor market imbalances, Albania came into a renewed tradition of migration only after

1989. In the latest decades, many events such as wars, the break-up of former Yugoslavia and the end of the Soviet era of influence have created direct pressure on the labor markets, and together with the proximity of borders, migration has contributed to a large share of the labor force. Inevitably, the migration flows out and within the area have become a crucial factor on the growth and development of the all countries comprised into the Balkans.

The large outflows of population brought significant changes in the socio-economic composition and demographic trends. For instance, in Albania, almost 20 percent of the population left the country. The share of emigrants as percentage of country population, three WB countries – specifically Albania, BiH and Macedonia - stand among the top 30 emigration countries in the world in 2010. The total stock of migrants from Western Balkan is at around 4.5 million and the main sending countries are BiH and Albania respectively with a stock of emigrants above 1.4 million. However while 85% of migrants from Albania have migrated to the EU, only half of BiH migrants have chosen EU as the main destination country.

Across the region, migrant workers' remittances have become an important source of income. In some countries of Southeast Europe, officially recorded remittances take up a sizeable share of more than 10 percent of GDP. Small countries such as Albania, Bosnia-Herzegovina, Serbia, and Montenegro are highly dependent on remittances as a result of the large portion of their populations abroad.

These countries are undergoing a transformation of their economic systems that result in similar current economic conditions with weaknesses in social protection system, financial sector and heavy reliance on remittances as a source of external finance. In fact, remittances support the growing trade deficit in the majority of these countries. Under these macroeconomic circumstances, remittances play an important role providing complimentary social protection and correcting for limited government policy interventions.

Remittances have impact on sending countries in both short and long term horizon. The short-term effect is usually related to increases in

consumption, poverty alleviation and income inequality that result in changes in labor market participation. While remittances directly influence current consumption levels, relatively little goes into provision for long-term investment that may substantially improve economic growth and well-being of populations in recipient countries over the longer-run. Presently, most of the research is focused on how the remittances get channelled in investment in farms or small businesses; however there is little attention on addressing business outcome of these enterprises.

Another most recent phenomenon pronounced in the Balkan area is return migration (Mansour & Quillin, 2007). This phenomenon is often considered as one of the main channels through which sending countries may benefit from migration due to higher levels of human capital that emigrants acquire in receiving countries that can be operational upon their return to the home country. After returning from migration emigrants that have accumulated superior know-how capital are expected to find better jobs and earn relatively higher labor income in their home country.

This paper is organized in the following main sections. The next section present review of the theoretical and empirical literature on factors determining success of rural businesses, and theory of potential of diaspora. Third section presents the results of the analysis of factors influencing success of rural businesses in BiH, where the empirical models and data used in the analysis are explained. In fourth section, the methodology used in analysis of potential of diaspora of the two countries, and the main finding, are presented. The section five presents the results of the analysis of best practices in the world in engaging diaspora in rural development and a list of selected solutions that were chosen through the round table discussions with the main stakeholders. Finally, section six concludes and provides a list of policy recommendations for linking diaspora and rural entrepreneurs in Albania and Bosnia-Herzegovina, in order to foster entrepreneurial activities in rural areas as a driving force rural development of the two countries.

## **2. Literature review**

### **2.1. Rural entrepreneurship**

Growing empirical evidence in the literature on rural entrepreneurship (Volk, 2008), supports the hypothesis that there is a positive correlation between governance, rural entrepreneurship and rural development, where goal oriented policy, transparent support and efficient law framework play an important role.

Literature identified the main factors affecting growth of rural businesses. These factors can be broadly divided into “internal” factors (such as characteristics of entrepreneurs, characteristics of the business, ) and “external” factors (such as population trends, availability of natural resources, government support, characteristics of the labour and good market, quality of the supply chain, and availability of finances).

Risk taker, innovator, motivated, opportunity taker, inspired, owner, are all features of the entrepreneur (Martin and Osberg, 2007). Successful entrepreneurs are performing and combining such characteristics on the daily basis. Entrepreneurs have a special set of cognitive capacities (Schiebold, 2011) and attitude (De Mel, Mckenzie and Woodruff, 2010), that make them unique, as they have direct impact on the success of the business. Cognitive abilities are influenced by the level of education, as more educated are proactive in all areas of the business and in technology development. Norms, values in behavioral context are shaped by culture, inevitably having its impact on the entrepreneurs’ performance (Schiebold, 2011). Personal traits, attitude and strong motivation of entrepreneurs are sufficient (Che Rose, Kumar and Lim 2006), to overcome impediments to start-up and growth of the entrepreneurship. Although the lack of educated labor force tends to be one of the most influential factors in developed countries such as the United Kingdom, Smallbone et al. (2006) and Freshwater (2000) point out on historical data, which show how family background used to be compensated for the lack of knowledge.



In Nigeria, research by Ajibefun and Daramola (2003) found out that the education level of the owner has highly influenced efficiency of the business and affects the growth of the business. This puts education on the level of high priority variables for technical and organizational effects. Nevertheless, in combination with the age of the owner, education and age have a parabolic shape as two variables, meaning that efficiency of the business performance first rises then declines as owner ages. Although young owners lack experience, they should be given trainings and encouragement to become entrepreneurs. Okurut (2008) stresses out the positive impact of education and business knowledge on the microbusiness performance, while a combination of rural entrepreneurship and female ownership decreases business success. There seems to be a positive link between number of start-up firms and educated owners (Acs and Armington 2005), not referring solely to secondary degree education.

Gianneti and Simonov (2008), assert that substantial entrepreneurial activity is to be influenced by positive entrepreneurial climate in the close regions, giving a special place to social interactions, as one of the main entrepreneurial drivers that also enhance faster learning through social effect. The usage of many proxies makes this finding challenging in general application and opens a door to new entrepreneurial climate insights. Schields (2005), acknowledges the importance of culture and social factors and family relations, placing higher influence on successful rural entrepreneurship management, linking individuals to rural community development.

External opportunities and threats play important role in rural entrepreneur's activity, where entrepreneurs' creativity and motivation comes into play, if to survive. Characterized by constant depopulation, rural areas and rural entrepreneurs face a challenge more than ever before, in striving to attract skilled and educated labor, on one hand, and maintain supply of products that should correspond to demand in the market. The logical consequence to this is generally lower firm entry rate in rural areas than in urban areas (Plummer and Headd, 2008, Yu, et al, 2008).

It is important to note, that successful rural development is highly influenced by institutional support. This does not exclude the possibility of regional development itself, but slows the pace of development in a fast competitive global area and drives down any further motivation and success. Institutional support consists of formal and informal rules. Formal (codes of conduct) are written in the legal framework, directly applying (Schiebold, 2011) to the business performance, while informal are shaped in norms, cultural values (Shirley 2008).

Infrastructure plays prominent role in its impact on rural entrepreneurship success, such as road, broadband access and access to water (Walzer 2009). The more developed infrastructure, the more successful rural entrepreneurs we have (Okurut 2008). Access to utilities, such as electricity, communication, markets and road, contributed to the growth of the microbusinesses in rural Kenya (Kirubi 2006). Infrastructure refers to physical and non-physical. Physical infrastructure refers to roads or energy. Non-physical infrastructure consists of market structure. Infrastructure plays an important link of rural entrepreneurs in the urban market. Neglected by institutions in the rural development planning and investment, due to its substantial cost issue, infrastructure is one of the main impediments in transitional countries. Due to the characteristic of rural areas in the sense of their remoteness, additional challenges to rural development are transportation costs (Smallbone, 2006) and infrastructure, affecting entrepreneurship base (OECD, 2006).

One of the limiting factors is a small local market that influences differently rural entrepreneurship sectors (North and Smallbone, 1996), pushing rural entrepreneurs to export markets from its very first establishment (Smallbone et al, 1993, Dabson 2011). This clearly provides insight into the importance of external and institutional support of rural firms. The evidence from the different research sources, indicate the ability of rural firms to overcome the influence of rurality and to adapt to exporting market conditions, more successfully than their urban counterparts (Gale 1998). The pace of this adoption is facilitated by the level of the country's development and opens a door to export markets, institutional and policy

support (Wyer and Smallbone, 1999) in developing and post transitional countries.

Short supply chain as a constraining factor, has been recognized by France, in the new strategy for rural entrepreneurship development and is highly welcomed by Member States and drafted in New EU Rural Development Policy 2011 (NRN 2011). Rural businesses are often involved in the chain with the middlemen (Alsos et al 2011), who by charging its margin, raises the price of the product and in one or another way affects the pace of sales. Shortening the chain, by introducing direct sales to customers, through farm shops, road stands, online sales, fair sales ( Alsos et al 2011) and other forms, reduces costs and allows producers to interactively engage in sales. Yet, Verghaegen and Van Huyenbroeck (2001) acknowledge another angle to this issue, stressing out that direct sale to producers, require marketing and sales skills as a prerequisite and may take valuable time. As this might be true, for remote rural enterprises, we believe that short supply chain has possibility to contribute in general through various ways.

To some extent, the external factors are more interlinked with lacking and skillful labor force (Petrin 1994), whose decreasing motivation to rural employment is compensated with a growing propensity to urban market opportunities. This leads to faster ageing of the rural population that influences the possibility of dynamic rural enterprise growth. Even Dabson (2001), points out on the significance of population in the rural area, that creates demand for rural products, without which rural products cannot decrease overhead costs, due to large production.

## **2.2. Diaspora**

### **a. Life Cycle of Migration**

Traditional migration stresses the negative impact that this phenomenon might generate on the development in a source country, especially because of the expected loss in human capital. However, a new stream of literature emphasizes that apart the brain drain possible benefits of migration may be strong incentive for further education in the source

country making the net effect of emigration to be even positive, called the “brain gain” effect.<sup>3</sup> Another positive channel is return migration and skill diffusion of the experience acquired abroad to the origin country. It is well documented that return migrants, upon return choose to start their own business as the best option to transfer and put into practice the skills and know-how from the destination to the source country. Considering that entrepreneurship spirit is quite defused among return migrants the potential to contribute to strategic sectors of the economy.<sup>4</sup> Besides returnees, migrants who are still abroad can also significantly contribute to rural development. The most obvious channel is remittances they send to their relative and friend back home, who can then invest that money into entrepreneurial activity. Also, they can provide transfer of skills from abroad through virtual return. Their contacts abroad can also be used for increasing exports of rural products, rural tourism and FDI into rural areas.

Katseli et al. (2005) sketched a life cycle model of migration to explain the heterogeneous impact on growth, poverty and development that migration and remittances reveal across countries and also to distinguish between the short term and long terms impact of migration (Lucas, 2004). They identified five stages of country migration, described as follows:

- 1) **Initial of Exit stage** represent the starting of migration and implies a decline in supplied labor (unless there is a large share of unemployed or underutilized labour) and a drastic fall in overall output and labour productivity (if involves high-skilled migrants).
- 2) **Adjustment stage** is characterized by a family strategy of migration (family unification) where family members follow the initial migrants thanks to a decrease in migration costs. On the other hand, other family members left behind start to invest in skills sellable abroad to challenge their own migration experience (the so called brain gain). In other words, the origin country population and economy adjusts to migration logics either in forms of increased labour supply or human capital formation.

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<sup>3</sup> See Stark (2005) for a description of New economics of Brain Gain theory.

<sup>4</sup> See Dustman & Kirchkamp (2002), Ilahi (1999), Martin & Radu (2009), Mesnard (2004), Wahba & Zenou (2011).

Again, migration of highly skilled individuals may be devastating for the origin country if no replacement is foreseen to come.

3) **Consolidation stage** corresponds to the inflows of remittances and human capital accumulation which leads to the recovery of country economy. Remittances are firstly used to increase consumption and then for improvement of the standard of living and housing. Reduction in poverty and upsurge of economic growth take both place in this stage where migration becomes affordable also for poor households.

4) **Networking stage** represents the flowering of migration networks in the destination countries and the appearance of second-generation migrants while family reunification process is almost completed. Remittances continue to be transferred in the origin country together with the knowledge of markets needs in both origin and destination countries. At this stage, migrants become investment and trade intermediaries between sending and destination countries. Also, remittances help to spur human capital formation in the origin countries. Altogether, this brings to positive growth and poverty reduction but not necessarily inequality reduction.

5) **Repatriation or circulation stage** is the last stage of the migration's life-cycle where emigration has definitely proved to be a great contributor to the country development and skill formation but where also return migration materializes. Return migrants often decide to establish themselves in the urban areas by leading in this way to drastic increases in the urban population. However, at this stage, new migrants may set up new businesses also in the agricultural sector. Also circular patterns of migration may facilitate the establishment of economic and social networks and lead to a further growth in the trading and investment sector.

This life cycle of migration sketched by Katseli et al. (2005) may change across countries and periods in the way that some stages might not be reached or might be skipped or their duration may vary from country to country. For example, network and consolidation stages may fuse into one

or adjustment stage can imply a positive growth. It may also happen that remittances fuel informal credit markets due to the inability of banking system to satisfy private sector demand for credit. In Albania, such informal credit schemes turned into pyramid schemes due to also the inadequate governance of the financial sector and the lack of a regulatory framework (Corovilas, 2000). The collapse of pyramid schemes brought to a total chaos and induces Albanian to migrate by giving rise to another wave of massive migration. The Albanian experience shows that the life cycle of migration may be country dependent and time dependent.

Figuring out the stage of migration cycle, or whether both countries are positioned at relatively mature stage of migration, may help to evaluate the current and future intentions of migrants to return and their potential to invest home.

A depiction of country migration profile and country specific socio-economic situation helps also to give insight into the development impact of migration which is conditioned on the selectivity of migrants. Such a selectivity involves not only migrant characteristics (age, gender, originating from a rural or urban area) but also may depend on the type of migration (temporary and circular versus permanent, internal versus external, skilled versus unskilled).

The empirical literature on self-selection of returnees and the impact of return migration on human capital formation is not conclusive. In recent years, there has been increasing number of studies that, based on different assumptions, provided evidence which supports one of the previously described theoretical approaches and their predictions on the human capital formation effect of return migration. Dustmann (1996) reported that more than a half of migrants who initially expressed their intention to return from Germany did not materialize that intention over subsequent nine years. Another set of studies used revealed behaviour of returnees by collecting the data on their post-return educational and other investment decisions. Ilahi (1999) has provided an evidence of positive relationship between migration experience, including accumulated savings and human capital, and occupational choice of returnees to Pakistan, after controlling for possible

endogeneity of migrants' savings and the choices available to returnees to different areas.

In an overlapping generations model, Mayr and Peri (2008) have shown that return migration and subsequent wage increase associated with international experience may be additional incentive for migrants in sending countries, besides migration and wage differentials between home and host country. Incentive effect of the brain gain argument is not necessarily based on permanent migration, instead individuals invest in their human capital with the intention of temporary migration abroad and return with international experience, where both of these increase returns to their human capital investment. They argue that return migration actually contributes significantly to the brain gain argument and may turn the brain drain story into the brain gain story.

#### **b. Return Migration and entrepreneurship**

Wahba & Zenou (2011) investigate whether return migrants are more likely to become entrepreneurs than non-migrants. They develop a theoretical search model that puts forward the trade-off faced by returnees since overseas migration provides an opportunity for human and physical capital accumulation but, at the same time, may lead to a loss of social capital back home. Using data from Egypt, they find that, even after controlling for the endogeneity of the temporary migration decision, an overseas returnee is more likely to become an entrepreneur than a non-migrant. Although migrants lose their original social networks whilst overseas, savings and human capital accumulation acquired abroad over compensate for this loss.

What creates obstacles for an individual to become entrepreneur? **Financial constraint** – that is limited access to credit and limited personal and family saving - is the most obvious obstacle. International migration provides a channel to overcome such financial constraints through the accumulation of overseas saving and their contribution in setting up businesses upon return. As shown by an ILO survey on Pakistani migrants

who returned from the Persian Gulf from 1975-1985, nearly a third had established themselves in self-employment. Also Arif and Irfan (1997) and Ilahi (1999) point out that the savings accumulated during migration have been the main driver of shifting from wage employment prior to migration into self-employment afterwards. Mesnard (2004) also finds that Tunisian returnees financed their entrepreneurship projects mainly through their overseas savings. Dustman & Kirchkamp (2002) find that Turkish returnees engage in entrepreneurial activities and are mostly economically active.

Another obstacle for entrepreneurship might be the **lack of human capital** which is presumed to be overcome by migration through the transferability of overseas skills. Mara (2012) investigated the occupational dynamics among return migrants in Albania and she finds that deskilling among returnees is frequently occurring and the only possibility to upgrade is in the public and governmental sectors. So a considerable number of returnees in Albania find self-employment a better solution. Another important aspect emerged is the supportive and positive effect of social capital and networks, namely, the educational level of the parents, network and interaction with groups with similar affinities. This is another fact that stresses the importance of the role played not only by individuals, the government but also of society. For Albania, Germenji & Milo (2009) say that the transferability of human capital might help return migrants to find better remunerative jobs. Martin & Radu (2008) using a sample of returnees in CEE find that return migrants are more likely to choose self-employment due to entrepreneurship skills acquired abroad. Researchers have been tempted to find out whether a transferability of physical or human capital is most important for becoming entrepreneurship. In this aspect, McCormick & Wahba (2001) show that while savings rather than human capital matter more for illiterate Egyptian returnees to become entrepreneurship for the educated returnees both factors are important for succeeding in setting up new businesses upon return.

**Migration networks** are another channel that contributes to entrepreneurship. For example Woodruff & Zenteno (2007) consider



households of remittance-receiving households in Mexico and find that migration networks help to overcome financial constraint.

Besides the importance of financial factors to entrepreneurship, other potential factors may come out as affecting individual's decision of setting up a new business. Here, **social capital or social networks** may stand out as several sociologists bring about. For example, Djankov et al. (2005, 2006) find that social networks play an important role on enhancing individuals' chances to become successful entrepreneurs. Thus, having entrepreneurial relatives or schoolmates increases the chances to become entrepreneur. Also, Munshi (2003), McKenzie & Rapoport (2010), Wahba & Zenou (2010) consider the role of social networks in entrepreneurship with a special focus on migration.

### c. Diaspora and Rural entrepreneurship

Migration can contribute to country development not only through direct channels – as return migrants are – but also through indirect channels – Diaspora. The contribution of Diasporas on home country development can be accommodated into the fourth stage of life-cycle of migration, Networking stage. Diaspora may play an important role to economic growth of origin countries **not only through remittances** flows but also the knowledge and technology transfer and promotion of trade and capital flows. Diasporas, **as trade intermediaries and knowledge transmitters** may prop up the trade between sending and origin countries through two main channels. The first channel is through the **easiness in accessing the information** the migrants have both in country of origin and the country of destination (Head and Ries (1998), Girma and Yu (2000)). In this aspect migrants are facilitated thanks to their knowledge of potential markets and distribution channels which result from the common language, local customs and practices they share with their compatriots. The second channel through which Diasporas impact own country development is their **propensity to consume home produced goods**; Wagner et al. (2002) say that if migrants have a preference for home produced products because

religion, habit, addiction or home-sickness they will import such goods unless they are produced in the destination country.

Few have explored the role of migration in rural entrepreneurship. The main studies related to this nexus we are aware of focus mainly on Chinese surveys. More specifically, Ma (2002) uses the results of an in-depth survey of returned labor migrants in rural China and finds that skilled returnees are more likely to mobilize social capital and “the income return to local social capital is as considerable as that to investment capital and skills acquired at the urban destination”.

Yu and Arzt (2009) investigate entrepreneurship of migrants and their location choice by using a survey on alumni of Iowa State University. They find that social capital and social networks established in one’s home region play an important role guiding entrepreneurs in their location choice: entrepreneurs with rural origin are more like to set up their business in rural areas and in the same time to attain financial means from family members and local banks. Also, Liu (2009) explores China's Rural Households Survey Data to reveal the mechanism through which rural returnees make occupational choices which are strongly determined by their migration experience and patterns. Financial capital accumulated during migration in urban sector help rural-origin returnees to release from the borrowing constraints and set up new business; rural entrepreneurship help to smooth the social pressure in the urban area.

Demurger& Xu (2011) use a rural household survey conducted in Wuwei County (Anhui province, China) in 2008 and find that return migrant in a province of China are more likely to become self-employed than non-migrants thanks to their overseas savings and job mobility experience during migration.

### 3. Analysis of rural entrepreneurship

For the purpose of identifying the main factors that affect success of rural entrepreneurial activities, in order to use such findings for engaging diaspora potential in reducing such obstacles, we decided to employ a mixed method approach. The first part of our analysis of rural entrepreneurship was a quantitative analysis, where the model of determinants of success of rural businesses was estimated using econometric methods of analysis of data collected through a survey of rural entrepreneurs in the two countries. Second part of our analysis is a qualitative research, where the data collected from a series of semi-structured interviews were analysed in order to gain more detailed insight into the nature of obstacles identified in the quantitative analysis.

#### 3.1. Model

The model used in the quantitative analysis of rural entrepreneurs is presented below. Extending the model developed by Headd (2000) by business characteristics of rural entrepreneurship, and combining it with the recent research findings as presented in the literature review, we developed the following baseline model specification:

$$y_i = \beta_0 + \beta_j \sum OC_{ij} + \beta_k \sum BC_{ik} + \beta_l \sum CSF_{il} + u_i \quad (1)$$

This specification is estimated by three models, with alternative specification of the dependent variable. In the first model, it is expressed as average annual change in number of employees (*aace*). In the second, it is average annual growth in number of employees (*aage*), while in the third model it is expressed as a dummy variable taking value of 1 if number of employees increased (*successdv*). Due to such specifications of the dependent variable, the first two models were estimated by OLS method, while probit was used for the third one (with a dummy variable). The choice of employment increase is based on recent empirical studies on

determinants of growth of firms, where employment was found as more appropriate than sales data, which are commonly underreported in surveys. Additional motivation for the choice of employment data is that they are more informative, as employment generation should be the most important objective of rural development activities in BiH, rather than growth of output.

The main independent variables<sup>5</sup> are factors determining growth of rural businesses, a presented in Equation (1) are:

OC – list of demographic characteristics of the owner, such as age, sex, education level, migration experience,

BC – characteristics of the business (age of business, whether it was established by current owner or inherited, export orientation, etc.), including industry (5 types of businesses) and region dummies (3 regions)

CSF – a list of 21 critical success factors (obstacles), expressed as dummy variables indicating that interviewed owner answered that she/he is, in running the business, facing these obstacles frequently.

The list of critical success factors was prepared base on previous qualitative research, conducted by authors for the World Bank in 2012. In order to reach the best possible specification of the reduced model, we decided not to rely only on test-statistics from the hypothesis testing of statistical significance of coefficients from the estimated model for selection of the success factors, but also to identify the most influential factors by using descriptive statistics results<sup>6</sup>. Then, the list of the most important factors was included into the model, and it was further reduced by excluding some of the insignificant variables related to owner's or business characteristics.

Female owners are found to be in minority and face various obstacles due to gender issue, especially in complying with financial requirements (Papadaki and Chami 2002) by financial institutions, although it has no

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<sup>5</sup> Detailed description of each variable included in estimation is provided in Appendix 1.

<sup>6</sup> Here, we used Pearson's  $\chi^2$  statistics.

implications to firm survival rate (Cooper et al, 1994). Age of the entrepreneur is shown to be positively related to some extent and as owner ages, it becomes less dynamic affecting the business performance (Selaman et al 2011).

Family business presents a healthy ground for young entrepreneurs, who are in a position to learn from their family on rural entrepreneurship from the very beginning, to learn about processes and resources (Walzer 2009). Although in advanced position, empirical evidence shows that businesses started from owners' own interest (not inherited) are more successful in the long term (Walzer 2009). High growing entrepreneurs are negatively related to family businesses (Bjuggren et al 2010).

Beneth and Smith (2002), emphasize how the remoteness of rural areas contributes to decreasing tendency of access to trainings and knowledge transfer, associated with larger costs of services, inadequate training support, and obsolete knowledge. The more distant enterprises have a transportation cost as a significant part of the price calculation and it directly reduces its margins and profit (Walzer 2009). Geographic location (Bosworth, 2011) is unprecedentedly defining the type of products harvested or services provided in the rural area of one country. The comparative advantage for the purpose of efficient production is important, but the geography provides no crucial obstacle to rural firms.

Financing is ever growing obstacle, very sensitive in the aspect of rural entrepreneurship in the context of credit collateral and credit history. It is extended to difficulties in loan procedures and documentation (Nurbani et al, 2010). Confessing the fact that start-up in general have financial issues, as is supported by the research of Nurbaini et al (2010), even providing the access to various financial schemes does not guarantee success.

### **3.2. Data and descriptive statistics**

For the purpose of estimation of the above model, we had to collect the data through the survey, as appropriate secondary data were not available. The survey was conducted in both countries, with a sample of 300 rural

business owners interviewed in each country. For the sample selection, we used all available databased for creation of a comprehensive sampling frame, as agricultural census was not conducted in these two countries yet at the moment of our survey design, and no single comprehensive database existed. The sampling selection procedure applied here was two-stage stratification. First stage stratification was stratification of businesses according to their type. All businesses were grouped into five large groups and the number of businesses from each of these strata was selected into the sample according to their share in the sampling frame. In the second stage, we divided each country into three regions, characterized by diverse characteristics of rural businesses present there. From each area, number of businesses selected into the sample was according to the proportion of the businesses in each type of business (first stage strata) from each region based on their share in the sampling frame. This way, we assured coverage of all types of businesses and representativeness of businesses predominantly located in a particular region, since it is expected that different types of businesses in different regions face obstacles (e.g. transportation) at a different extent. The interviewees from the sample were first contacted by phone, and in case we couldn't reach them, we visited them and conducted face-to-face interview in order to complete the survey. At the end, approximately 70% of the entire sample was reached in each country. The most interesting descriptive statistical results from the surveys are presented below, by country.

#### **a. Albania**

As no individual data on rural entrepreneurs are available in Albania, for the purposes of this research, we conducted a survey among rural entrepreneurs (RES) during the period June-September 2012.<sup>7</sup> Rural

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<sup>7</sup> In 2012, the Albanian Institute of Statistics conducted the Agriculture Census In Albania that provides general information for the agricultural unit with activity in the territory Of the Republic Albania necessary for the planning and implementation of the general policies agricultural economic development. Nevertheless, this information was not available during the period this project was carried out.

entrepreneurs were initially contacted by phone (using the list of phone numbers provided by the post office, KASH (the Albanian Agrobusiness Council) and Ministry of Agriculture and the Regional Office of Agriculture of Elbasan) and email but this approach didn't result very effective because a large number of contacts were not available and also due to limited access to internet especially in the northern or remote rural areas. Considering harvesting season the best alternative was to approach them directly in their working place rather than relying on indirect contacts via e-mail or phone. So during the month of August and September intensive field work was performed with rural entrepreneurs mainly in the central and southern part of the country. <sup>8</sup> The initial database was made of 300 rural businesses and the selection was done through geographical clustering and stratification. The former requires a distribution of business encompassing the Northern part, the Center and the Southern part; the latter requires a distribution of business regarding type such as meat, dairy, rural services and other. Finally, 199 rural businesses were reached out of 300 selected ones, with a 66% response rate.

Out of 199 enterprises, 75% are rurally located while 20% are located in remote rural area; less than 5% originate from urban areas. Looking at the geographical distribution, 67% of them are located in the central part of Albania, 11% in the south and 13% in the southern Albania. As regards the type of activity, 26% of rural businesses are involved in the sector of fruits and vegetables, 21% in meat & dairy production, 28% in other agriculture production while 9% and 4% in rural tourism and rural services.

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<sup>8</sup> Through field work interviews we have covered mainly the central part of the country, central-west and southern part of the country. However, the northern part has been the most difficult area to be reached and therefore field work interviewing in this area was complemented with interviewing during the fair "AGROBIZNES 2012" organized in 20 - 24 September 2012 in Tirana where a considerable number of rural entrepreneurs from different areas exposed their products and their main activities. The field work appeared to be very efficient in terms of interviewing rural entrepreneurs and having a direct contact with their activity, their difficulties, and obstacles and how they see the solution to their problems. So the advantage of this approach was that we could ask additional questions and conduct in depth interviews with those cases that appeared to be more interesting. Nevertheless the disadvantage of this approach was that is very time consuming as reaching the rural entrepreneurs required some time and in some cases they were not available to conduct an interview due to the work load or because the owner was not there, or they were in negotiations with their clients.

Albanian entrepreneurs are mostly men (in 94% of cases), 46 years old in average, holding a secondary education degree (in 57.8% of cases) while 20% primary or tertiary degree. They show to have in average almost the same duration of job experience in total terms and sector specific terms too (18 versus 17). Some other descriptive analysis shows that 67% of the businesses are owned by 1 person, 15% by two persons and 18% by more than 2. In the cases where the owners are more than one, generally they are relatives or family related. Half of the businesses are established after the year 2000; they are mostly set up by the owner, the rest are either inherited (in 19% of cases) or bought (6% of cases). Owner's personal savings are the main source of the initial capital used by interviewed rural entrepreneurs to set up their rural business. Namely, 78% of entrepreneurs say to have used their own savings as an initial capital followed by 12% who assert the use of savings from abroad. Nevertheless, personal savings appear to have been complemented by savings from abroad (36%), family income (24%) and bank loans (16%). What is important to note is that the owners prefer to take loan from friends rather than from banks which as it will be shown later is related to high interest rates constituting one of the financial obstacles faced by rural businesses. Rural businesses on average employ one worker every three years of their existence; however, only 57% of them have experienced an increase in their number of employees while 38% have been stagnant.

Almost half of the rural businesses are located at walking distance (less than 5 km) from the closest bank office or microcredit affiliates while 35% are more than 19 km far away. 25% of rural businesses are located very close to highway (less than 500m) and more than half of them are just 2 km far from highway, only 15% are placed 15km far from highway. As regards to business access to roads, electricity, internet and water, 85% of the interviewers say to have full access to roads, electricity and water and 77% to internet connection which means that the infrastructure is not poor.

While almost half of them do not intend to expand their production, less than one third (29%) have a written business plan. Among the successful businesses, 56% of them report to have intention to expand their activity while only 32% a written business plan. As regards the obstacles



faced, the successful entrepreneurs claim that the lack of support from governmental institutions is considered as an obstacle (63%). The data do not show a significant difference between successful and unsuccessful entrepreneurs in terms of obstacles such as high transportation costs and burden of taxes and contributions.

As the main motivation of this research is to look at the direct impact of any migration experience (personal or familiar) to rural entrepreneurship success several questions were included in the RES questionnaire where the entrepreneurs were asked whether they had ever migrated, for how long, destination country and whether they are still receiving remittances. Firstly, 60% of the interviewers state to have ever migrated; of these, while almost two fifth have less than 5 years of migration experience (they may be defined as being involved in a temporary migration), one third of the interviewers declare to have more than 5 year but less than 10 and one fifth more than 10 year but less than 15 (long-tern migrants). They have mostly migrated to Greece (67%) and Italy (27%). Asked whether they still receive remittances, only 22% of them confirm it.

#### **b. Bosnia-Herzegovina**

Since there are no available data for the purpose of analysis presented in this paper, a survey among 300 entrepreneurs in BiH was conducted. The sampling frame used for sample selection was collected from several databases, such as AFIP/APIF<sup>9</sup>, Agrolink<sup>10</sup>, and Chambers of Commerce at different levels<sup>11</sup>, as there is no single database of rural entrepreneurship existing in BiH. In total, the fame was consisted of over 4,000 entities. From the database we have selected 300 rural businesses for our sample. Response rate was 70 percent, so we have ended up with 210 respondents. For selection of rural entrepreneurs, we applied settlement based definition of rurality, where rural businesses are the ones operating in villages.

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<sup>9</sup> AFIP is governmental agency for financial services of Federation of BiH entity, while APIF is its counterpart for REpublika Srpska entity.

<sup>10</sup> Agrolink is BiH Online Info Centre for Agriculture ([www.agrolink.ba](http://www.agrolink.ba)).

<sup>11</sup> There are chambers of commerce at the state, entity, and cantonal levels in BiH.

The predominant form of rural businesses is micro and small business, where they account for 90% of all rural establishments (Buss and Yancer 1999) and nearly two-thirds of all rural jobs, making them a vital part of the rural economy (McDaniel 2001). Almost 75% of rural small businesses have less than 20 employees, accounting for a quarter of rural jobs, but only a fifth of rural payrolls (McDaniel 2001). Therefore, we decided to focus on micro and small (0-49 employees) businesses in our research.

The sampling selection procedure applied here was two-stage stratification. First stage stratification was stratification of businesses according to their type. All businesses were grouped into five large groups (fruits, vegetables, rural tourism, rural retail, other businesses) and the number of businesses from each of these strata were selected into the sample according to their share in the sampling frame. In the second stage, we divided entire BiH into three regions, characterized by diverse characteristics of rural businesses present there. The regions are Northern Bosnia, Central Bosnia, and Herzegovina (southern part of the country). From each area, number of businesses selected into the sample was according to the proportion of the businesses in each type of business (first stage strata) from each region based on their share in the sampling frame. This way, we assured coverage of all types of businesses and representativeness of businesses predominantly located in a particular region, since it is expected that different types of businesses in different regions face obstacles (e.g. transportation) at a different extent.

Descriptive analysis of data reveals some interesting findings, informative for the further econometric analysis. Entrepreneurs are mostly men (in 86.95% of cases), 47.8 years old on average, have a secondary education level (in 57.76% of cases), with 19 years of total experience and 12 years of experience in the sector of their business. Businesses are mostly established (82,43% cases) from the owner's savings and only a few are inherited (11.2%) from the family, and are using the owner's asset (in 87.14% of cases). Rural businesses are mainly established by one owner. They on average have 9 employees currently; have a 10% in growth

employment, and a 4.5% growth in sales annually, on average, with a large standard deviation.

The rate of the rural business progress can be seen in a positive change in the number of employees. Rural businesses in BiH on average employ one worker for every two years of a business existence. Out of the entire sample, 92% of businesses are growing. Rural businesses are on average 7 km away from the closest bank or microcredit branches and 5 km away from the paved road. Supply of water, electricity, internet and access to the road are supplied in the 97% of cases on average. Rural businesses mostly have signed contracts with one or two regular large customers, mainly retailers. When success of companies with signed contracts is compared to the ones who sell without contracts, we can see significant difference, where businesses which have signed contract are not successful in 22% of cases, compared to businesses that do not have signed contract, being unsuccessful in 48.57% of cases.

More than 68% of rural businesses answered that their business faces complicated administrative procedures. Real interest rate as an obstacle has impact on micro businesses in 62.4% cases. Majority of micro and small businesses are burdened with the costs of transportation (51.41%).

What can be found as interesting is the nature of relations among owner's total experience, intention to expand the business and a written business plan. Almost 55% of owners do not have a written business plan. Of those who do have, 15th and 20th year of the business is crucial in planning. Owners express their intention and motivation to expand the business, but plan their activities every 10 years on average. Education of the owner does not particularly affect his/her motivation to write a business plan. Owner of the successful business in 82.24% of cases had the intention to expand the business, and 72.2% of them had a written business plan. Only those established by the pure interest of the owner using owners' savings as a starting capital (63.7%) is the most successful (77.14%).

### 3.3. Results

#### a. Albania

The results of regression analysis for Albania, with three alternative specifications of the reduced model from Equation (1), are presented in the table below (t-statistics in parentheses):

**Table 1: Results of various models for Albania**

Variables	Model 1 OLS	Model 2 OLS	Model 3 probit
Dependent	Average annual change in employees	Average annual growth in employees (%)	= 1 if number of employees increased
Owner's work experience	-0.027 (-0.02)	0.102 (-0.14)	-0.018 (-0.01)
Age of owner	0.023 (-0.02)	0.027 (-0.16)	0.014 (-0.01)
If owner resides in rural areas	0.196 (-0.54)	-8.029* (-3.43)	-0.469** (-0.27)
Owner has tertiary education	-0.785 (-0.52)	0.404 (-3.33)	0.038 (-0.27)
Business was inherited	0.769 (-0.58)	2.589 (-3.70)	0.778* (-0.31)
Business was started by using own savings	0.173 (-0.61)	2.207 (-3.88)	0.584** (-0.31)
Owner receives remittances	0.585 (-0.63)	6.541 (-4.02)	1.039** (-0.34)
Exports	1.002** (-0.57)	8.008* (-3.64)	0.699* (-0.31)
Taxes and contributions	-0.535 (-0.49)	0.894 (-3.13)	-0.656* (-0.26)
Lack of support by local authorities	-0.053 (-0.59)	4.49 (-3.75)	0.952** (-0.31)
High costs of transport	0.041 (-0.52)	-3.116 (-3.32)	-0.382 (-0.26)
Large competitors	-0.080 (-0.49)	3.684 (-3.10)	0.087 (-0.24)
Difficulties in obtaining subsidies	-0.169 (-0.63)	4.234 (-4.00)	-0.022 (-0.32)
Lack fo skilled labour force	0.785 (-0.61)	6.287 (-3.88)	0.379 (-0.31)

<b>Variables</b>	<b>Model 1 OLS</b>	<b>Model 2 OLS</b>	<b>Model 3 probit</b>
Low price of products	-0.461 (-0.48)	-6.788* (-3.06)	-0.581* (-0.25)
High interest rates	0.144 (-0.56)	7.869* (-3.54)	0.650* (-0.29)
Access to water	-0.877 (-0.57)	-2.325 (-3.64)	-0.517** (-0.29)
Difficult to obtain loan	0.596 (-0.54)	-1.854 (-3.41)	-0.216 (-0.28)
Constant	-1.606 (-1.81)	8.142 (-11.46)	-1.133 (-0.98)
Observations	162	162	163
R2	0.107	0.231	

*\*\* statistically significant at 1% level, \* statistically significant at 5% level*

The regression analysis where the average annual change in employees is used as dependent variable produces insignificant coefficients. The statistical significance starts to improve where the average annual growth in employees is used instead and it improves considerably when a dummy variable based on firm size growth acts as dependent variable. Therefore, we limit our comments to the latter regression as the only one producing results worthy to be commented.

If we look at the entrepreneurs's and firm's characteristics, we find that entrepreneurs living in urban area are more likely to be successful; education and age together with sectoral experience do not produce any significant result. Business characteristics seem to play an important role in shaping the business success. For example, inherited businesses appear to be more successful than those bought or established by owner himself. Also, entrepreneurs whose own saving are used as initial capital are more successful than those who have account on loans or family income. When it comes to remittances, they also seem to have helped rural businesses to expand. Also export-oriented firms have more chances to be successful.

Looking at obstacles perceived by businesses, administrative obstacles seem to be significant saying that: entrepreneurs who frequently consider that the burden of taxes and contributions are less successful than others.

Also, those who complain on the support from state institutions are less likely to be successful. Subsidies seem to not be related to business success.

Obstacles related to infrastructure such as high cost of transportation does not show any significance for business success together with the obstacle related to “lack of trained labour force”. On the other hand, access to water appears to be significant. Also market competition seems to not be significant while other market obstacles such as “low price is offered by resellers” seem to be important.

Finally, obstacles related to access to finance produce interesting results: it’s not difficult to obtain a loan; instead, the high interest rates discourage rural entrepreneurs to apply for it.

To conclude, the Albanian RES show that the most important obstacles shaping business existence and success in rural area are: lack of support by state institutions, burden of taxes (administrative factor), access to water (infrastructure factor), low price offered by resellers (market factor) and high interest rates in the financial market (access to finance).

#### b. Bosnia-Herzegovina

The results of regression analysis of three alternative specifications of the reduced model from Equation (1), with different dependent variable, are presented in the table below (t-statistics in parentheses):

**Table 2: Results of various models for BiH**

Variables	Model 1 OLS	Model 2 OLS	Model 3 Probit
Dependent	Average annual change in employees	Average annual growth in employees (%)	= 1 if number of employees increased
Age of owner	-0.012 (-0.92)	-1.223 (-0.94)	0.006 (-0.40)
If owner resides in rural areas	-0.455* (-1.83)	-44.64* (-1.76)	-0.304 (-1.14)
Owner has tertiary education	0.331 (-1.43)	33.876 (-1.43)	0.326 (-1.26)
Business was inherited	0.586 (-1.51)	58.858 (-1.5)	1.344** (2.33)

<b>Variables</b>	<b>Model 1 OLS</b>	<b>Model 2 OLS</b>	<b>Model 3 Probit</b>
Business was started by using own savings	0.691* (2.42)	69.649* (2.38)	0.414 (-1.38)
Owner receives remittances	0.463* (-1.77)	46.973* (-1.76)	0.713** (2.09)
Exports	0.901** (3.16)	90.491** (3.13)	0.015 -0.05
Taxes and contributions	-0.36 (-1.01)	-36.583 (-1.01)	0.779* (2.32)
Lack of support by local authorities	-0.699* (2.45)	- 69.314** (2.35)	- 0.967** (2.68)
High costs of transport	- 0.784** (2.32)	- 78.964** (2.30)	-0.033 (-0.1)
Exchange rate volatility	-0.325 (-1.26)	-31.567 (-1.19)	-0.258 (-0.83)
Large competitors	0.262 (-1.06)	27.125 (-1.06)	0.294 (-1.09)
Difficult to obtain loan	0.717** (2.37)	70.756** (2.23)	0.908** (2.93)
Constant	1.202 (-1.67)	120.627 (-1.65)	-0.679 (-0.91)
Observations	135	132	166
R-squared	0.25	0.25	

\*\* statistically significant at 1% level, \* statistically significant at 5% level

The results presented in the table above show that the most important factors affecting growth of a rural firm in BiH are lack of support by lower levels governments (institutional factor), high transportation costs (infrastructural factor), and difficulties in obtaining a loan (access to finance factor). Some other success factors, such as presence of large competitors, large taxes and contributions, or exchange rate volatility, appeared as statistically significant factors in one of the three models, but the significance was not consistent across the models. In addition, significant variables affecting growth of rural businesses are, according to the estimation results from Table 1, export orientation of a business, if business was established by using own savings, if owner has tertiary education, and if owner receives remittances from abroad.

The models were tested for standard OLS assumptions and no significant problems were identified. It was assumed that the high level of

multicollinearity could be expected; however, the results of the correlation and variance inflation factor analysis did not suggest significant degree of colinearity between these variables<sup>12</sup>.

Possible endogeneity of the set of variables for critical success factors was identified. Less successful entrepreneurs could be more likely to report more significant obstacles. However, appropriate instruments were not available in the dataset, and it can be assumed that any possible endogeneity problem, arising from the correlation between these variables and the error term, was reduced by inclusion of a set of demographic characteristics of the owner. Exclusion of these variables would increase the endogeneity bias.

### **c. Comparative analysis**

The comparative analysis in this section is limited to the comparison and discussion of differences in the results obtained for the two countries separately. We did not find appropriate to combine datasets from the two countries, as the evidence suggests considerable differences in the factors affecting success of rural businesses in the two countries, which implies different model specification for each country. Therefore, combining the two datasets and using one model specification that is not completely suited to any of the two countries could lead to results that are not contributing to the explanation of the phenomenon but rather cause confusion. In order to avoid that, we are focusing on providing summary information about differences in results between two countries, Albania and Bosnia-Herzegovina.

The first set of variables we are particularly interested in the context of analysis of factors affecting success of rural businesses is the set of obstacles to successful business. Lack of government support, high transportation costs and difficulties in obtaining loan are important factors affecting success of rural businesses in both countries. This suggests that there are obstacles common for both countries, and that some of the policy options available for improving conditions to rural businesses in terms of

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<sup>12</sup> All correlations were below 0.5 and all VIF factors were below 10, while the average VIF was below 4.



improving their access to loans, markets and government support can be applied in both countries. Volatility of exchange rates appear to be more important in Albania, which was expected, since BiH has a currency with fixed exchange rate to euro and EU is at the same time its main trading partner. Other factors are not significant in any of the two countries.

With regards to other variables, it is interesting to note that age and tertiary education of owner has positive influence on success of a business in Albania, while it's not important in Bosnia-Herzegovina. Owners residing in urban areas are more successful than the ones residing in rural areas in BiH. This can be explained by a trend of starting rural business by people from urban areas that can be observed in BiH recently. Place of residence is not important for success of a business in Albania. If the business was inherited has positive influence on success of a business in both countries, but only in some model specifications. If business was started by using own savings is statistically significant determinants of business success in both countries. Also, if business is export oriented, it is more successful. One of the reasons for such a strong positive correlation between exports and success of a business, which was collected through interviews, is that the collection of payments from exports is much easier and timely than from local customers, which in turn makes them more financially viable and able to expand their business. This situation with payments at local markets has influenced some of the interviewed businesses to focus their marketing activities towards exports markets in order to improve their financial performance. Receipt of remittances is more statistically significant factor of success of rural businesses in BiH, while in Albania it appears to be significant only in some model specifications.

### **3.4. Qualitative analysis**

In addition to the quantitative analysis of the factors determining success of rural businesses, we decided to conduct qualitative analysis as well. The main purpose of this analysis is to gain more in-depth insight into the problems faced by rural entrepreneurs and to collect information that

will help us enrich the interpretation of the results from the quantitative analysis as well as make policy proposal more concrete.

The qualitative analysis was completed by conducting a series of semi-structured interviews<sup>13</sup> with selected rural entrepreneurs from the list of survey interviewees<sup>14</sup>. The sampling procedure for selecting interviewees for semi-structured interviews was a mix of stratified probability and purposive sampling procedure; we decided to interview entrepreneurs who proved to be more cooperative and willing to provide more information during the survey, taking into account to have approximately equal proportion of those with and without migration experience, as well as appropriate distribution of interviewees according to their location and number of obstacles they were complaining about.

The individual interview reports were analysed by summarizing the main comments collected from interviewees, calculating shares in some of the responses in order to identify certain patterns in responses, particularly between interviewees with different migration experience, as well as selecting specific interesting responses and proposals collected through the interviews. Results of the qualitative analysis of rural entrepreneurs in two countries are presented below, by country<sup>15</sup>.

#### **a. Albania**

We have conducted 20 interviews during the period of October-December 2012 with intention to include various types of rural businesses (Honey production, Meat and egg production, Rural tourism and restaurant, Vegetable production, Seedling production, Fruit production, Vine production, Milk and dairy products, Fish production) across the three geographical areas of Albania.

Starting with obstacles on administrative procedures, the most worrying administrative obstacle was the lack of the support from the state. In this regard, corruption was the most repeated word and claimed to be the most problematic obstacle faced by businesses in Albania. Other difficulties

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<sup>13</sup> Questionnaire use in semi-structured interviews can be found in Appendix X.

<sup>14</sup> Initial plan was to conduct 30 interviews per country.

<sup>15</sup> Individual interview reports are available at request.

faced by rural entrepreneurs were obtaining subsidies mainly because of corruption and unfairness practiced on subsidy procedures. One respondent said that no subventions are given to remote mountainous areas. Others criticized the state for encouraging the production of very few agriculture products through subsidies. To reduce the fuel costs which have become extremely high, they suggested that subsidies should be provided by the government in form of direct reimbursement to rural entrepreneurs instead to oil companies as it was previously done. Another entrepreneur said that the state offices should exert more control on the quality and expiry date of imported products coming especially from Greece. As regards the burden of taxes, this was not an issue; although some respondents mention high level of VAT for agriculture products and machineries and the lack of inspections from competent institutions.

When it comes to obstacles related to infrastructure, some complained that infrastructure in remote areas is still poor. As such, some respondents complained on access to water, electricity and highway. For example, one respondent mentioned that because his business is placed in remote mountainous area and without street connection having the markets distantly, he is forced to sell locally with low prices. However, the high cost of transportation is one of the most important obstacles because the high price of fuel makes more costly the rent of agricultural machinery.

With regards to the access to market, high competition in the local and regional market was an issue. On that, one respondent said that their business is put at risk from the products imported from Greece, Kosovo and Serbia with very low prices. Another said that prices are often drastically reduced under the pressure exerted by intermediaries from Kosovo and Serbia. Also, one respondent mentioned as obstacle that wine is often imported from Montenegro without payment of custom duties or VAT. Also, they complained on expensive raw materials or use of pesticides without guarantee of quality. Seasonality of products and raw materials was also often reported. Businesses related to fishery were concerned with very high cost of fish conservation they are facing. Others claim that they have difficulty to sell their products because of the instability of prices as well as

their incapacity to advertise their products. The latter – scarcity of marketing - was often reported as an obstacle.

Only one fifth of respondents mentioned lack of trained labour force as an obstacle for business expansion. On that, one respondent claimed that more training courses are needed to train the staff especially on the use of new technologies and the right use of pesticides and fertilizers. This businessman got damaged few years ago an entire plantation of apples trees due to the wrong fertilizer used. Many of those who had migrated in Greece in the agriculture sector stressed the importance of the experience gained abroad and know-how. Another issue was the frequent change of staff that doesn't lend oneself to investment in agriculture knowledge.

The lack of financial resources was another important obstacle reported by the respondents. Most of them were saying that it is not difficult to obtain a loan; instead they better prefer to borrow from friends and family members rather than to apply for loan because of unbearable interest rates in the lending system. Several respondents complain that the seasonality of their products makes difficult to obtain loans and pay back the interest rates. On the other hand, several respondents admitted that loans obtained have helped them a lot in expanding their business. Two respondents claimed the lack of an agriculture bank aimed to help rural development.

Many of respondents stress the importance of good agronomists and technicians for the business success. Although every village has his own agronomist, they are not updated to modern techniques and often aren't able to suggest the right pesticides. In remote areas, agronomists are mostly absent. Many of respondents mentioned the importance of market organization for exportation purposes. In the last years, there has been a high demand for Albanian agriculture products from Serbian and Kosovan businessmen.

#### **b. Bosnia-Herzegovina**

In total, 21 owners of rural businesses were interviewed in the qualitative data collection activity in BiH, which can be considered as a

satisfactory response rate of 70%. The interviews were conducted in the period September-October 2012.

When asked about specific obstacles, majority of interviewees start with complaints about administrative procedures. This is certainly the factor that influences performance of rural businesses in BiH and reforms in procedures and improving relations between administration and business people seem to be of a particular importance. Descriptions of the obstacle provided by interviewees suggest that it is particularly related to the costs and time of obtaining certificates and other documents, as well as to the transparency in providing subsidies to local businesses. Most of interviewees expressed their opinion that the subsidies are allocated to friends and relatives who often do not have their rural business at all, and the allocation is not connected with rural development strategies, since it often targets businesses that are not the ones which should be supported in their growth, while the ones with growth and export potential are not supported by these subsidies.

The second most important obstacle to the success of rural business is the lack of financial resources. This is particularly related to the access to start-up funds, but also to complicated procedures for obtaining loans from banks. Banks very often require collaterals that rural businesses cannot provide, or the process of receiving loan often takes up to a year. Also, the role of microcredit institutions is not appropriate, since their interest rate is well above any profit margin that rural businesses can achieve, and interviewees believe that taking loan for a microcredit institution usually results in bankruptcy of a rural business.

In addition to the access to loans, access to other sources for investments in expansion of rural businesses is rather limited. It is very difficult to attract foreign investments to rural areas in BiH, and particularly there are no channels of transfer of foreign investments to small businesses, as the focus is currently on large scale projects and privatization of large companies. There are different options to improve access to finance to rural businesses available, and most of interviewees agree that the banking sector should support rural businesses more. Also, most of them agree that

diaspora can contribute a lot. One of the interviewees suggested organization of local investments conferences for diaspora, where possible investments project at the level of a municipality would be presented to investors from BiH diaspora visiting the country during summer breaks. Another interviewee suggested establishment of a Diaspora Fund, while some also mentioned other organizational solutions for attractin diaspora savings and investing them into rural entrepreneurial businesses.

With regards to the access to market, rural businesses mainly complain about the high degree of concentration among buyers, dominated by regional retail chains. This situation affects also financial performance of these businesses, as retail chains delay their payments for several months, which significantly reduces liquidity of rural businesses. A few interviewees even mentione that, despite possibility to sell their products at local markets (including local retail chains), they decided to export their products in order to avoid the problem with collection of payments. When the degree of competition is concerned, they mainly complain about unfair competition from imports, and to a lot smaller extent about local competition. In terms of improvement of liquidity, interviewers suggest better law enforcement and improved mechanisms of payment collection. One of the interviewees also suggested that the government shoul introduce changes in tax legislation, according to which payments of VAT would be made only after collection of payment, not before as it is now the case. Such a solution would also serve as an incentive for government to regulate payment of invoices in time much better. In terms of imports, interviewees support introduction of more strict standards and other imports requirements.

Less than a half of respondents mentioned lack of trained labour force as an obstacle for expansion of their business. Special case is a production in which an owner implements modern techniques in production, but the labor force is missing skills necessary to understand how new methods work in production. This is one of the reasons why half of businesses in our interview expressed desire for education, seminars and fairs, which are specific and focused to trainings in management, production, finance, and marketing. As some of them suggest, transfer of specific skills should be

done from more to less experienced rural entrepreneurs, rather than to be provided by consultants who do not have any experience in running rural businesses.

One of the obstacles to better performance of rural businesses, which has not been properly identified through quantitative analysis, is lack of cooperation between rural entrepreneurs in a particular geographical area, or in a particular sector of business. Number of cooperatives is very small, and even informal cooperation between individual businesses is rare. Some interviewees even mentioned that they have established cooperation with large buyers abroad and offered other producers in the area to be their subcontractors in providing sufficient amount of goods to such a buyer, but many of these partners did not accept such cooperation. This is one of the areas of intervention where the government could, by providing appropriate incentives for cooperation between small producers, increase performance of rural businesses.

### **3.5. Main conclusions**

The results of the rural entrepreneurship survey reveal that the main factors affecting success of rural enterprises in BiH are related to financial, institutional and infrastructural constraints. The model has shown almost each factor to have a similar level of impact on the rural success, which means we need to work on those factors simultaneously, without prioritizing one over another.

Institutional factors, primarily related to the business climate, severely affect growth of rural businesses, as any other. BiH is well known as a country which has lowest rating with regards to business climate in Europe, and is among the worst in the world. Average number of days for starting a new business, according to the World Bank's Doing Business reports, is more than 70 days. The government needs to start implementing necessary reforms of administrative procedures, improve functioning of their services to businesses, including better targeting and coverage of subsidies, and to make other improvements of business climate (e.g. reducing tax burdens to

businesses). These reforms, as we saw from the results presented, will help rural entrepreneurs to grow faster, but would also increase entrepreneurial activities by other people in BiH as well as attract more foreign investments. All these would result in increase of employment, which is highest in Europe and should be one of the goals at the top of the agenda of the BiH government.

The results also show that rural entrepreneurs expect more support from local than state level government. This should be taken into account in evaluation of the results of government at different level, as well as for design of strategies for rural development and related activities. Support by the local government is particularly expected in the activities related to improvement of local infrastructure, such a local roads, access to water, and access to phone and internet.

Successful businesses have a need for a source of finance, on a regular basis, especially when it comes to buying new machines and facilities or refurbishing old ones, and investing in new skills. In addition, easier access to start-up funds for new entrepreneurs would have positive influence on boosting entrepreneurial activities in rural areas. Such a support by the government would be directly transformed into the employment growth.

Finally, besides the results provided above, additional research of rural entrepreneurship is necessary for better understanding of this issue, which is of extreme importance for BiH. Since data availability is the first condition for a proper research, a census of rural businesses and establishment of comprehensive database of such businesses is the first step in this direction. Establishment of the database is also one of the key EU requirements for BiH in order to be eligible for funds available for rural development in BiH (IPARD).



## 4. Analysis of diaspora

### 4.1. Methodology

In order to explore the social and economic potential of the Diaspora and maximizing its engagement in rural development in Albania and BiH, we conducted an on-line survey (called thereafter Diaspora Survey) among Albanian and Bosnian migrants living abroad. More specifically, the Diaspora Survey aimed to assess the potential capacity and interest the Albanian and Bosnian Diaspora have to invest in their home countries and also to identify the potential channels through which they can contribute to rural entrepreneurship. The definition of “diaspora” used in the questionnaire refers to “individuals that reside in foreign countries for work, family and study reasons” without any distinction by year of entry in order to not give importance to any historical connotation.

The empirical strategy aiming at measuring latent resources available withing the BiH and Albanian diaspora community (such as savings, skills, and social capital) and their willingness to engage it in activities that would increase economic development of the country is based on the survey of diaspora, using a questionnaire that contains a mix of mutually reinforcing qualitative and quantiative questions. The survey attempted to research the following: Interest (willingness) and potential capacity (availability) of the Bosnian Diaspora have to invest in their home country and to identify the potential channels through which they can contribute to BIH economy.

The questionnaire of Diaspora Survey is designed based on the literature review an consultations with experts. After being translated in Albanian and Bosnian language, the questionnaire was distributed to diaspora by online survey tool<sup>16</sup>. The survey was distributed by using mailing list provided by the state institutions and diaspora organizations, as well by publishing it on Diaspora websites. The questionnaire was consisted of 61 questions divided in 7 modules. The first module asked for demographic characteristics of respondents, including gender, age, degree of

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<sup>16</sup> [www.surveymonkey.com](http://www.surveymonkey.com)

education, year of migration, initial migration plans, and whether it is earned in home or destination country. Ethnicity is very sensitive question for our Diapora so when it comes to ethnicity we used Identity points, based on Lee (2009),<sup>17</sup> which extended analysis on identity points to measuring ethnoracial self-identification in surveys as one potentially fruitful means of bridging this gap (Lee 2009). In order to reduce possible refusal to fill in the survey because of some sensitive questions, demographic module was placed at the end of survey.

Second module included questions on employment and occupation status before and after migration and any matching/mismatching between education and occupation level. Information on their monthly net income both at personal and familiar level are asked in order to capture the real capacity to invest together with satisfaction with their current income.

Third Module addresses the entrepreneurship ability through questions on any possession of business and its location as well. If the business is located out of home country, individuals are asked whether they import physical or human capital from home country or have set up subsidiary there. Finally they are asked what would induce them to invest in their home country.

Fourth Module consists of question regarding information on any investment ever made in home country in business start-up, purchase of land or housing, financial assets such as government bonds or shares of companies specified by area (urban or rural). Also, source of information that helped to set up a business is investigated in order to figure out the links the Diaspora uses to invest home. After obtaining information on current investment, we move to plans for future investment starting with questions such as the migrant has any interest to invest home and if not, for what reasons. Furthermore we evaluate the real possibility to invest in short run (less than one year), in medium run (1 to 5 years) and long-run (more than 5 years) in any physical or financial asset mentioned above in urban and rural

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<sup>17</sup> The main idea behind identity points is that respondents do not need to choose exact ethnicity or race, but can divide it into several types (e.g. a person is 50% Bosnian and 50% Swedish). We believe that having opportunity to express ethnicity in such a way is very relevant for research of multiethnic countries (such as BiH) as well as for research of diaspora.

area together with the precise geographical area and business activity if possible. Questions on initial resources needed to set up a business and own financial capacity are made for understanding the real intentions and willingness to invest home which are very important issues for our research purpose.

Fifth Module was collecting information on savings and remittances. Individuals are asked how much of their income they are able to save and whether such savings are deposited in the banks in country of residence or home country. Questions whether they send remittances to home country in whatever form (money or in-kind) and transfer channels together with its frequency and average transaction size are further made to understand the financial potentiality of Diaspora.

Sixth Module deals with the links Diaspora keeps with home country. Individuals are asked on their citizenship, if they have still family members living in their home country, the frequency of visiting them per year; whether they are member of any diaspora association and participate in any diaspora activity; the language they speak at home. Such questions help to have an idea on the size and importance of social capital and network of Diaspora which are supposed to be crucial factors for Diaspora investment in home country. Finally they are asked to give their opinion how diaspora can support rural entrepreneurs in home country.

The questions were analysed primarily by using descriptive statistics, in order to transform data collected through the survey into information that will help us answer the questions about potential and willingness for contribution to the economic development by BiH Diaspora, which will also serve as inputs into further discussion of possible solutions for enhancing engagement of diaspora by each of possible channels, such as remittances, investments, transfer of skills, tourism, an other contributions.

## **4.2. Results**

The data collected by the Diaspora surveys conducted in Albania and BiH were analysed by descriptive statistical analysis, and the main results

are presented below. The results are presented by each country first, and then a comparative analysis of the main findings is presented. The results are ordered by topics of the survey, where after analysis of the main demographic information of respondents, the information about the capacity and willingness of diaspóra by the main areas of engagement of diaspóra (remittances, investments, skills, other contributions) are presented.

#### a. Albania

In total, 139 individuals responded to the survey. Table 1 shows that the survey respondents sample is mainly composed by men (63%), young and married (65% younger than 35 and 70% married). Asked on their education level, 52% and 32% of them report respectively a university and post-university degree that is earned abroad in 55% of cases (Table 2). These figures imply a strong selectivity biasedness versus highly-educated which may be due to the method of surveying - mainly through social networks - and due to the level of education level of the initial contacts.

**Table 3: Socio-demographic characteristics of the sample**

Value	Gender		Year of Birth			Marital Status			
	Male	Female	Born before 1977	Born before 1984	Born after 1983	Cohabiting	Single	Married	Divorced/separated
freq	85	49	48	34	58	7	32	95	1
%	63%	37%	34%	24%	41%	5%	24%	70%	1%

Source: Own calculations from the Diaspora survey

**Table 4: Education level of the sample**

Value	Education				Education Earned abroad
	Primary education	Secondary education	Tertiary education	Post-graduate	
Freq	2	19	68	42	72
%	2%	15%	52%	32%	55%

Source: Own calculations from the Diaspora survey

### 1. Migration-related features

Where do DS respondents mainly reside? As Table 3 shows, 39% and 10% of them live respectively in Italy and Greece while 20% in the USA. It is noteworthy to show that Albanian migrants have reached also North-African countries such as Dubai, Jordan or Israel or Asiatic countries as Singapore. Table 4 shows that the respondents have migrated after 1990 and mainly before the 2001. This trend corresponds to the migration graph inserted in the previous chapter where two migration peaks prevail in Albania around years 1991 and 2000.

**Table 5: Destination countries**

Countries	USA	CANADA	UK	Greece	Italy	Switzerland	Other EU	Other countries
Percentage	20%	5%	5%	10%	39%	8%	9%	6%

*Source: Own calculations from the Diaspora survey*

**Table 6: First year of Migration from Albania**

Year	Before 1997	1997-2000	2001-2011
Percentage	21%	35%	43%

*Source: Own calculations from the Diaspora survey*

Table 5 shows how the migration plans have changed and more specifically it shows that while only one third (29%) had planned initially to permanently stay in the destination country, at the time of the survey, half of the sample declare to plan a permanent stay. This means that a potential return is still far probably due to their confirmed integration in the destination countries (push factor) and non-attractiveness of the Albanian situation (pull factor). Asked on the timing of a potential return, Table 6 reveals that most of the sample shows uncertainty and don't know exactly when they will return (65%) while 10% say to intend to return either within the next year or within 10 years. These statistics reinforce what Table 5 shows, that is, a return process is still too far for the Albanian migrants.

**Table 7: Plans of migration**

	To stay permanently	To stay temporary here & return to Albania	To stay temporary here & move to another country	Don't know
Initial plans	29%	36%	10%	20%
Current plans	50%	24%	8%	17%

**Table 8: Return plans**

	Within 1 year	Within 2 years	Within 3 years	Within 5 years	Within 10 years	After 10 years	Dont know
Percentage	10%	4%	2%	5%	10%	4%	65%

*Source: Own calculations from the Diaspora survey*

### Links with Albania

Links with origin country are an important indicator to evaluate the diaspora interest in contributing in home country. For that reason, several questions were included in the questionnaire as regards the nationality, legal status in the destination country, contacts with the family members left in origin country and the frequency of visiting them and lastly their links with diaspora associations. It is interesting to show that 35% of respondent hold foreign passport other than Albanian one and the percentage of those having a document of permanent stay is at 38% (Table 7) while only 25% have temporary stay documents. Similar percentage result (29%) regarding a foreign language spoken at home. These figures imply that the sample has established good links with destination country and make us to conclude that their integration is at a good stage of maturation. As shown in Table 8, only 3% of the sample have children or partners still left in Albania and the majority (68%) have parents left there which are consequently presumed to be the remittances-receivers. As regards the visiting the home country, Table 8 shows that the respondents are regular visitors and this also gives reason for the high percentage of remitting personally or through friends rather than using money transfer operators. In detail, only 12% of them assert to

have consumed the last visit in Albania 3 to 5 years ago while more than half of them say to have been the last time in Albania within 6 months. Asked on the membership in diaspora associations, the response rate in this survey was really low (14) implying a very low participation of diaspora and still, almost half of the sample does never participate in diaspora events and only 9% of them frequent such events on a regular basis (Table 9).

Table 9: Nationality, documents of stay and language spoken at home

Nationality	%	Documents of Stay	Language spoken at home
Only Albanian	62%	Permanent 38%	Language of residence country 29%
Also Albanian	35%	Temporary 25%	Albania 66%
Other than Albanian	4%	Foreign Passport 30%	Other 5%
		Other 5%	
		Visa 2%	

Source: Own calculations from the Diaspora survey

**Table 10: Contacts with Albania**

Family members left in Albania	Last time in Albania
Partner 3%	1 month ago 18%
Children 3%	3-6 months ago 39%
Parent 68%	6-12 months ago 19%
Other 27%	1 year ago 12%
	3 years ago 7%
	5 years ago 5%

Source: Own calculations from the Diaspora survey

**Table 11: Frequency of participating in diaspora events**

Frequency	Never	Sometimes	Regularly
Percentage	48%	43%	9%

Source: Own calculations from the Diaspora survey

## **Income, Savings and remittances**

While more than half of the Albanian sample declare that their net monthly familiar income exceed 3000 EURO, 14% of them say to earn more 15000 EURO (Table 10). 35% of the respondents say to be satisfied with their level of income (Table 11) but only 7% say to be able to save more than half of their income (Table 12).

Table 12: Net monthly Income (personal and familiar) – EURO

	Net monthly personal income		Net monthly familiar income	
	freq	percentage	Freq	Percentage
Nothing	10	10%	2	2%
Less than 500	5	5%	3	3%
500-1,000	13	13%	9	10%
1,001-1,500	13	13%	5	5%
1,501-2,000	19	20%	9	10%
2,001-2,500	11	11%	4	4%
2,501-3,000	6	6%	11	12%
3,001-4,000	8	8%	15	16%
4,001-7,000	7	7%	13	14%
7,001-10,000	1	1%	9	10%
More than 15,000	4	4%	13	14%
Total	97		93	

**Table 13: Satisfaction with current income**

Not at all	Unsatisfied	Somehow Satisfied	Very satisfied
8%	14%	43%	33%
			2%

Source: Own calculations from the Diaspora survey

**Table 14: Savings as percentage of income**

Frequency	0	1%-25%	26%-50%	51%-75%	76%-100%
Percentage	19%	50%	24%	6%	1%

Source: Own calculations from the Diaspora survey



Questions regarding remittances indicate that the Albanian migrants have still a sense of obligation towards the family although as we'll show in the next tables the majority of them have brought their closest family members to the destination countries and therefore send their money mainly to their parents. More specifically, Table 13 shows that almost half of the sample assert to remit in Albania either in money or in-kind. In 35% of cases they remit both in money and in-kind while in 24% of cases only in money. Table 14 shows that personal contacts and physical transfers appear to be the main remitting ways chosen by the Albanian respondents in 70% of the cases, followed by Western Union offices (18%).

Table 15: Remittances

	freq	Percentage
Do you remit money or in kind in Albania?		
Yes	48	47%
No	54	53%
Total	102	
Type of remittances		
Mainly money	15	24%
Mainly in kind	11	18%
Both money & in-kind	22	35%
Only money	10	16%
Only in-kind	4	6%
Total	62	

**Table 16: Ways of Remitting**

Post Western Union	Friend	Personally	Other
7%	18%	33%	38%
			4%

The monthly amount remitted take up less than one quarter of their monthly income in 81% of the responses.

**Table 17: Savings & Remittances as percentage of income**

	Savings		Remmitances	
	freq	percentage	freq	percentage
0	19	19%	7	11%
1%-25%	50	50%	51	81%
26%-50%	24	24%	4	6%
51%-75%	6	6%	0	0%
76%-100%	1	1%	1	2%
Total	100		63	

### Investment prospect

As regards the investment prospect Table 16 reveals that only 17% of the respondents have invested in Albania and specifically in business set-up and housing. Investing in rural area seems not frequent with only 19% of those who have invested confirming to have invested in rural area. The Albanian Diaspora can contribute to the country development by investing in several ways: through setting up enterprises themselves or supporting their own families in that, by purchasing land and making it productive, by getting involved in real estate market, by participating in financial market etc. In detail, the Diaspora Survey reveals that out of 39 cases, 41% have invested in business set-up and 39% in real estate while 13% in land purchasing. both).

**Table 18: Investment in Albania**

	freq	Percentage
<u>Ever invested in Albania?</u>		
Yes, sometimes	16	13%
Yes, regularly	5	4%
Never	98	82%
Total	119	
<u>Type of investment</u>		
Business set up	16	41%
Purchase of land	5	13%
Housing	14	36%
Bonds	4	10%
Total	39	
<u>Area of investment</u>		
Urban	26	60%
Rural	8	19%
Dont know	9	21%
Total	43	

As regards to the interest in investing in Albania, Table 17 shows that 34% of the respondents seem prone to it and 40% dont. The main reason of showing no interest to invest in Albania is the insecured situation perceived by the Diaspora (27%), followed by the insufficiency of the necessary income to live with. It is interesting to note that while only 19% of the sample say to have invested in the rural area, this interest is higher among the potential investors (26%).

**Table 19: Potential Investment in Albania**

	freq	Percentage
<u>Interested to invest in Albania?</u>		
No	45	40%
Yes	38	34%
Dont know	30	27%
Total	113	
Reasons of no interest		
No income	28	22%
Dont know what	11	9%
No information	4	3%
Hard to get info	6	5%
Taxes are high	6	5%
Complicated legal procedures	9	7%
Insecured to invest	35	27%
No support from government	17	13%
Other	12	9%
Total	128	
<u>Type of potential investment</u>		
Business set up	39	42%
Purchase of land	17	18%
Housing	26	28%
Bonds	11	12%
Total	93	
Area of potential investment		
Urban	51	59%
Rural	22	26%
Dont know	13	15%
Total	86	

## Employment status and skills acquired abroad

To quantify the potential of the Albanian Diaspora, several questions were posed to the respondents as regards their employment and occupational status. Asked on their employment status, as Table 20 shows, almost half of the respondents are employed in the private sector while the percentage of unemployed is at 23%. The public sector and the self-employment activity make also a significant contribution by comprising 13% of the sample. It is interesting to note that 67% of the respondents judge their education level to match their occupation status (Table 21).

**Table 20: Employment Status**

	Freq	Percentage
Employed in private	62	48%
Employed in public	17	13%
Self-employed	17	13%
Unemployed	23	18%
Other	11	8%
Total	130	100%

**Table 21: Occupation-Education Match**

	Freq	Percentage
Yes	84	67%
No	42	33%
Total	126	100%

There is a general belief among respondents (88%) that skills and experience acquired in migration may be easily employable in the home country (Table 22) and what is more, 61% of them are interested to offer their services to the Albanian companies or institutions (mainly in the private sector (70%) and in research/academic environment (50%)). Asked on the way their skills may be exportable to the home country, 23% say that

such transfer might happen through a permanent return while 27% through online services (Table 24).

**Table 22: Skills acquired during migration are employable in Albania**

	Freq	Percentage
No	5	4%
Yes	112	88%
Dont know	11	9%
Total	128	100%

**Table 23: Interested to offer your skills to Albanian companies and institutions**

	Freq	Percentage
No	25	20%
Yes	77	61%
Dont know	24	19%
Total	126	100%

**Table 24: Ways to offer skills to Albanian companies**

	Freq	Percentage
Returning permanently	23	23%
Returning for 1 month	8	8%
Returning for 3 months	11	11%
Returning for 6 months	8	8%
Returning for more than 1 year	14	14%
Through online services	27	27%
Other	8	8%
Total	99	100%

## 7. Links with Albania

Links with origin country are an important indicator to evaluate the diaspora interest in contributing in home country. For that reason, several questions were included in the questionnaire as regards the nationality, legal status in the destination country, contacts with the family members left in

origin country and the frequency of visiting them and lastly their links with diaspora associations. It is interesting to show that 35% of respondent hold foreign passport other than Albanian one and the percentage of those having a document of permanent stay is at 38% (Table 18) while only 25% have temporary stay documents. Similar percentage result (29%) regarding a foreign language spoken at home. These figures imply that the sample has established good links with destination country and make us to conclude that their integration is at a good stage of maturation. As shown in Table 19, only 3% of the sample have children or partners still left in Albania and the majority (68%) have parents left there which are consequently presumed to be the remittances-receivers. As regards the visiting the home country, Table 19 shows that the respondents are regular visitors and this also gives reason for the high percentage of remitting personally or through friends rather than using money transfer operators. In detail, only 12% of them assert to have consumed the last visit in Albania 3 to 5 years ago while more than half of them say to have been the last time in Albania within 6 months. Asked on the membership in diaspora associations, the response rate in this survey was really low (14) implying a very low participation of diaspora and still, almost half of the sample does never participate in diaspora events and only 9% of them frequent such events on a regular basis (Table 20).

Table 25: Nationality, documents of stay and language spoken at home

	freq	percentage
<u>Nationality</u>		
Only Albanian	66	62%
Also Albanian	37	35%
Other than Albanian	4	4%
Total	107	
<u>Documents of Stay</u>		
	freq	percentage
Permanent	41	38%
Temporary	27	25%
Foreign Passport	32	30%
Other	5	5%

Visa	2	2%
Total	107	
<hr/> <hr/>		
Language spoken at home		
	freq	Percentage
Language of residence country	30	29%
Albania	69	66%
Other	5	5%
Total	104	
<hr/> <hr/>		

Table 26: Contacts with Albania

	freq	Percentage
Family members left in Albania		
Partner	3	3%
Children	3	3%
Parent	79	68%
Other	31	27%
Total	116	
<hr/> <hr/>		
Last time in Albania		
1 month ago	19	18%
3-6 months ago	42	39%
6-12 months ago	21	19%
1 year ago	13	12%
3 years ago	8	7%
5 years ago	5	5%
Total	108	
<hr/> <hr/>		

Table 27: Frequency of participating in diaspora events

	Freq	Percentage
Never	47	48%
Sometimes	42	43%
Regularly	9	9%
Total	98	
<hr/> <hr/>		



## 8- Opinions on how Diaspora can support rural entrepreneurs

The last question of the questionnaire is left open and refers to opinions of how Diaspora can support rural entrepreneurship. Almost 40% of the respondents express their opinions on how Albanian Diaspora can support rural development. Excluding pessimistic opinions of no way Diaspora can contribute in home country development, the Diaspora opinions can be summarized in four broad areas:

- 1- Diaspora Direct Investment: Albanian Diaspora can support rural development either through financial capital, that is by directly investing in setting up small enterprises in rural area, sending machineries and new techniques (that will increase production in rural areas) or through know how acquired in host country (by offering consulting services in agriculture and agrotourism). One of the comments was to make known in Albania the Slow Food initiative intended to revive interest in local food tradition and protect the heritage of biodiversity based on a practice of small-scale and sustainable production of quality foods.<sup>18</sup>
- 2- Promotion: Also promotion of Albanian agricultural products in host countries, contacts with other foreign firms interested in local agricultural products is also proposed by the Diaspora members.
- 3- Infrastructure: Know how – projects to improve infrastructure (roads, water supply, electricity) and facilitate business procedure (credible and responsible information office and not lengthy or complicated practical procedures) .

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<sup>18</sup> “Slow Food is a global, grassroots organization with supporters in 150 countries around the world who **are** linking the pleasure of good food with a commitment to their community and the environment. **Slow** Food believes that everyone has a fundamental right to the pleasure of good food and consequently the responsibility to protect the heritage of biodiversity, culture and knowledge that make this pleasure possible. A non-profit member-supported association, Slow Food was founded in 1989 to counter the rise of fast food and fast life, the disappearance of local food traditions and people’s dwindling interest in the food they eat, where it comes from, how it tastes and how our food choices affect the rest of the world. Today, over **100,000 members** have joined in **1,500 convivia** worldwide, as well as a network of **2,000 food communities** who practice small-scale and sustainable production of quality foods.” Extracted from [www.slowfood.com](http://www.slowfood.com)

- 4- Civic Engagement: Increase civic participation and encourage people against corruption and bribes

Finally, the intermediary role of the Albanian government to build the bridge between Diaspora and local business is strongly emphasized by the survey participants.

#### **b. Bosnia-Herzegovina**

The online survey has been completed by 112 members of Bosnian diaspora from around the world<sup>19</sup>. Although the sample size does not suggest that it can be representative of entire BiH diaspora, it still can represent the population of interest, once it is defined as the ones who are interested in maintaining links with BiH and potentially be engaged in economic development of the country. Such a population of interest should be focus of the government policies aiming at enhanced contributions of diaspora in BiH economic development, and not necessarily entire diaspora, regardless of their interest in BiH. Consequently, all information provided below should be interpreted in the light of such identification of population of interest in this research, which is more strongly linked with BiH and has much more willingness to engage in development of BiH than an average Bosnian residing abroad and being included in the total population of Bosnian diaspora.

Demographic characteristics provide basic information about the population of interest, as defined above, and can offer useful information for design policies targeting such a population. The sample is made up of 61% men and 39% of women, with the average age of 41 years.

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<sup>19</sup> The low response rate, according to the information available, is to some extent result of the fact that several similar online survey were conducted among Bosnian diaspora at the same time, and should not be taken as an indicator of low interest of Bosnian diaspora in the topic of the survey.

**Table 28: Socio-demographic characteristics of the sample, BiH**

Gender		Average age	Marital Status			
Male	Female		Cohabiting	Single	Married	Divorced/separated
61%	39%	41	5.2%	22.4%	64%	9%

*Source: Own calculations from the BiH Diaspora survey*

Out of the total number of respondents, 50 % of respondents have tertiary education (university education), mostly earned abroad (72%). The answer about location of earning education is related to the highest level achieved only, which suggests that a large number of emigrants from BiH, regardless of their education level during migration, have acquired additional qualifications after migration. Therefore, in addition to the brain drain identified as a severe factor affecting human capital in BiH, there are additional skills and knowledge that our emigrants have acquired after migration, and that can be used for economic development of the country.

**Table 29: Education level of the sample, BiH**

Education				Education Earned abroad
Primary education	Secondary education	Tertiary education	Post-graduate	
1%	23%	50%	26%	72

*Source: Own calculations from the BiH Diaspora survey*

The survey results also show that most of the respondents from the sample reside in United Kingdom (22%). Second destination is USA (20%) while most of respondents live in non-EU countries (24%). Netherlands and Sweden follows with 9% of respondents each. The sample is biased towards more remote destinations (absence of neighbouring countries is evident), which can be explained by the definition of the population of interest, and is not completely representative, particularly when we look at the distribution

of the sample by country, but this is not expected to cause any significant bias in our results.

**Table 30: Destination countries of BiH migrants**

USA	CANADA	UK	Netherlands	Sweden	Switzerland	Other EUEU	Other countries
20%	2%	22%	9%	9%	4%	10%	24%

*Source: Own calculations from the BiH Diaspora survey*

Table 4 shows that most BiH residents have migrated before 1997, which is in line with the historical patterns of migration from BiH, suggesting that most of respondents have left BiH at the beginning of 90s, when the war have began. Around 73% of the respondents answered that they left BiH in period from 1992 till 1997. Average years they have spent abroad is 17 years. This is close to the averages found in previous surveys (e.g. IOM 2011), and suggests that Bosnian diaspora is ageing, which has to be taken into account by the policy makers who need to take immediate action before the links with diaspora are completely lost, since we know that the age of diaspora is negatively correlated with its interest in the home country.

**Table 31: First year of Migration from Bosnia**

Year	Before 1997	1997-2000	2001-2011
Percentage	77%	12%	11%

*Source: Own calculations from the BiH Diaspora survey*

*Initial migration plan* of 38.6% of respondents was return to BiH after couple of months, or after couple of years (22,8%) while just 5.3% did not have intention to return at all. Particularly interesting for the main aim of this research (to identify willingness of diaspora to be engaged more in development of the country) is that 26.1% have *current plan* of returning after couple of years. Intention of staying abroad for a lifetime has since

migration till now increased to 21.7%, while many respondents (50%) do not have a clear stance on returning yet.

**Table 32: Plans of migration**

	To stay permanently	To stay temporary here & return to BiH	To stay temporary here & move to another country	Don't know
Initial plans	5%	39%	33%	23%
Current plans	22%	2%	26%	50%

*Source: Own calculations from the BiH Diaspora survey*

The largest part of the respondent who have intention to return are not yet clear on their own return plans and don't know when will they return (41%) while 31% respond that they will return in more than 10 years.

**Table 33: Return plans**

Within 1 year	Within 2 years	Within 3 years	Within 5 years	Within 10 years	After 10 years	Dont know
3%	3%	3%	6%	9%	31%	41%

*Source: Own calculations from the BiH Diaspora survey*

### ***Links with Bosnia***

In this section, current ways our diaspora is linked with their home country, as an important indicator that affects willingness of diaspora to be engaged in economic development of the country, are presented. Results are not necessarily representative of entire population of Bosnian diapora, as explained above. The results show that 76% of families from BiH diaspora community still speak Bosnian language at home. Still, 24% speak only other language, while 84% of respondents have foreign citizenship, which suggest high degree of assimilation and integration of Bosnian migration into their new communities in host countries.

**Table 34: Nationality, documents of stay and language spoken at home**

Documents of Stay		Language spoken at home			
Foreign citizenship	Permanent residency	Language of residence country	Bosnian/Serbian/Croatian		Other
86%	14%	24%	76%		0%

Source: Own calculations from the BiH Diaspora survey

The most of the sample, 57 % of them, replied that they do not have family members who still live in BiH, while the rest does, and they are mainly parents (40 %), children (12 %), and spouse (2.4 %). When it comes to frequency of visits to BiH, most of the respondents made their most recent visit to BiH before 1 – 3 months (43 %).

**Table 35: Contacts with BiH**

Family members left in Bosnia				Last time visited Bosnia						
Partner	Children	Parent	Other	1 month ago	1-3 months ago	3-6 months ago	6-12 months ago	1 year ago	3 years ago	5 years ago
3%	12%	41%	0%	11%	44%	16%	5%	16%	0%	8%

Source: Own calculations from the BiH Diaspora survey

Being a member of an association gathering BiH diaspora can be a significant indicator of connections person have with BiH. In the sample, 58.2 % of respondents are members of Diaspora association from BiH in the country of destination. Only 5.6 % are members of an association from a specific city/municipality of BiH, 20.5 % are members of a sport association of BiH Migrants, while 12.8 % of them are members of an academic association of BiH Migrants. Somewhat larger percentage is for members of religious association of BiH Migrants, 34.9% of them. Almost half of the respondents, 47.5 % answered that they participate often in the activities of

organized by various diaspora associations, while 26 % participate never and 27 % sometimes.

**Table 36: Frequency of participating in diaspora events**

Never	Sometimes	Regularly	Total
26%	47%	27%	100%

Source: Own calculations from the BiH Diaspora survey

More than half of the sample responded to earn more than 2,000 EUR monthly while more than 17% earn more than 4,500 EUR.

**Table 37: Net monthly Income (personal and family), in EUR**

Nothing	Less than 500	1,000-1,500	1,501-2,000	2,001-2,500	2,501-3,000	3,001-3,500	3,501-4,000	4,001-4,500	4,501-5,000	More than 5,000
4,30%	2,90 %	15,70 %	18,60 %	11,40 %	17,10 %	2,90 %	7,10 %	1,40 %	7,10 %	11,40 %
1,50%	1,50 %	7,50%	13,40 %	14,90 %	6,00%	6,00 %	7,50 %	7,50 %	7,50 %	26,90 %

Source: Own calculations from the BiH Diaspora survey

Out of all respondents, 47.9 % of the sample answered that they are *very satisfied* with the current earnings while 28.8 % is partly satisfied. Others are dissatisfied or indifferent in different scale (9.6 % completely dissatisfied, 6.8 % partly dissatisfied, while 4.1 % is neither satisfied nor dissatisfied).

**Table 38: Satisfaction with current income**

Not at all	Unsatisfied	Somehow	Satisfied	Very satisfied
10%	7%	4%	29%	48%

Source: Own calculations from the BiH Diaspora survey

### **Savings and remittances**

On average, majority of Bosnian diaspora (51%) saves up to 25% of their income, while 19% of them do not save. Approximately 20% of personal income is being saved in banks of current country (95%) while 5% is keeping their savings in BiH.

**Table 39: Savings as percentage of income**

0	1%-25%	26%-50%	51%-75%	76%-100%	Total
19%	51%	28%	1%	1%	100 %

*Source: Own calculations from the BiH Diaspora survey*

Most of the respondents (31 %) send remittances in money, with the average value between 101 and 200 KM in money. A larger average value is for remittances in kind: 24 % of respondents send between 201 and 300 KM in different types of goods. Remittances are sent on average once in three months, and majority of the interviewers (66%) send remittances couple of times, while 20% of them send money regularly each month. Others are sending remittances once in a year or less frequently.

**Table 40: Types of remittances**

Do you remit money or in kind in Bosnia?		Type of remittances				
Yes	No	Mainly money	Mainly in kind	Both money & in-kind	Only money	Only in-kind
83%	17%	29%	2%	35%	35%	0%

*Source: Own calculations from the BiH Diaspora survey*

Transfer mechanisms are also very useful information about remittances for policy makers. Our research suggests that 29.8 % of respondents still send their remittances via informal channels, while banks are used in 25.5 % of cases and Western Union in 23.4 % of cases. The share of informal channels is somewhat larger than in previous research, which can be explained by the destination bias of respondents in our



sample, mentioned above. Since majority of respondents are located in more remote destinations, use of formal channels is expected, as the price of informal channels, including personal givings during visits to home country, increase with the distance of migrants' host countries.

**Table 41: Channels of remittances**

Banks	Western Union	Friend	Personally	Other
26%	24%	20%	30%	0%

*Source: Own calculations from the BiH Diaspora survey*

Also, 83.1% of respondents send remittances to their relatives and friends in BiH with the average amount of 7.4% of their personal income. Composition of remittances is presented below:

**Table 42: Remittances as percentage of income**

Remmitances				
0	1%-25%	26%-50%	51%-75%	76%-100%
3%	90%	7%	0%	0%

*Source: Own calculations from the BiH Diaspora survey*

### *Investment prospects*

Out of the entire sample, 26.7 % of respondents own a business, which can be considered as relatively high compared to total population, but can be representative of the population of interest, i.e. the ones who are interested in engaging in the development of BiH. Not surprisingly, 96.7 % of them have their business located in a country of current living, while 3.3 % have business located in BiH. Those who have a business outside of BiH, have some but relatively weak business connections with BiH through: importing products from BiH, employment of seasonal workers from BiH, subsidiaries/manufacturing facilities in BiH, financial support to BiH companies, and investments in BiH.

The survey results revealed that more than a half (51%) of respondents invested in BiH. Respondents mostly invested in buying apartments/houses (58%) and business start-ups (26%). With regards to the location of businesses, more than a half of them invested in urban areas, and the rest in rural areas.

**Table 43: Investment in BiH**

Ever invested in Bosnia?			Type of investment				Location of investment	
Yes, sometimes	Yes, regularly	Never	Business set up	Purchase of land	Housing	Shares	Urban	Rural
23%	28%	49%	26%	5%	58%	8%	51%	49%

Source: Own calculations from the BiH Diaspora survey

When interest in future investments is concerned, the survey has revealed that 42.2% of interviewees are interested to invest more in BiH. They stated that the main reason for the lack of more interest in investing in BiH is investment uncertainty. Those interested in investing more are primarily interested in starting up a business (66.7%), buying a land (9.8%) or a house/apartment (21.6%). Only 2 % of respondents want to invest in company shares. They are primarily interested in both urban and rural areas (45.3%), while some of them (30.2%) are interested exclusively in urban area or in rural area (3.8% of the sample).

**Table 44: Potential Investment in BiH**

Interested to invest in Bosnia?			Type of potential investment				Area of potential investment			
No	Yes	Dont know	Business set up	Purchase of land	Housing	Shares	Area of potential investment	Urban	Rural	Dont know
20%	42%	38%	67%	9%	22%	2%		30%	4%	66%

Source: Own calculations from the BiH Diaspora survey

**Table 45: Reasons for no interest in investing in BiH**

No income	Dont know what	No information	Hard to get info	Taxes are high	Complicated legal procedures	Insecured to invest	No support from government	Other
19%	22%	2%	1%	3%	11%	39%	3%	0%

Source: Own calculations from the BiH Diaspora survey

### ***Employment status and skills acquired abroad***

Data about employment status of respondents suggests a good degree of integration of Bosnian migrants in the labour market of host countries. More than half of respondents work in a private sector (55%) while only 5% of respondents is unemployed. The results also suggest that brain waste is low among Bosnian diaspora; 80.8 % of all respondents believe that they work on a job which is adequate for their level of education and skills they own.

**Table 46: Employment Status**

Employment Status					Occupation-Education Match	
Employed in private	Employed in public	Self-employed	Unemployed	Other	Yes	No
55%	26%	13%	5%	1%	67%	33%

Source: Own calculations from the BiH Diaspora survey

With regards to potential and willingness of our diaspora to be engaged in skills transfer, 88% consider to own skills which can be used in BiH, while 82 % of them is ready to offer their skills in BiH. They are equally interested to offer their expertise to private sector (37%), educational and research institutions (32%) and government institutions (31%). Somewhat large interest in engagement in the public sector is the attractiveness of the public sector in BiH, which has larger average wages than the private sector.

**Table 47: Employability of Skills in BiH and interested to offer them**

Skills employable in BiH			Interested to offer your skills in BiH		
No	Yes	Dont know	No	Yes	Dont know
5	112	11	25	77	24
10%	88%	2%	17%	82%	1%

*Source: Own calculations from the BiH Diaspora survey*

Also, an interesting figure, which shows the considerable extent to which our diaspora is interested in engaging in the development of BiH, particularly through transfer of skills, is that 32.3 % of respondents are interested to offer their skills through permanent return to BiH. In addition, it has to be noted that 25% of interviewees who are interested in employing their skills in BiH, would like to do it through online services. Since the options for such engagement in BiH are rather limited, such mismatch between desired and available channels of diaspora engagement can be taken as a possible explanation for lack of larger engagement of diaspora, as well as a suggestion of policies aiming at increasing engagement of BiH diaspora in economic development of the country.

**Table 48: Ways to offer skills to Bosnian companies**

Returning permanently	Returning for 1 month	Returning for 3 months	Returning for 6 months	Returning for more than 1 year	Through online services	Other
32%	8%	25%	19%	19%	25%	8%

*Source: Own calculations from the BiH Diaspora survey*

The results presented above, although not providing a comprehensive mapping of diaspora potential, still can serve as good indicators of interest of our diaspora in engaging in economic development of the country, as well as the ways how such interest can be channelled, which can be used by policy

makers in designing their strategies of larger involvement of Bosnian diaspora in the development of their home country.

### **c. Comparative analysis of results from the surveys in two countries**

Both surveys conducted among Albanian and Bosnian Diasporas show several interesting facts regarding the return and/or investment willingness and plans of the respondents to their respective countries. The common feature that these two surveys share is that around half of the respondents have completed tertiary education, are mainly male and married. Nevertheless, the average age of respondents is higher in the case of Bosnia where 68% are born before 1977 while in case of Albania 41% are born after 1983. As regards their education performance, it is interesting to note that 72% of the respondents from BiH have obtained a tertiary education degree abroad which may infer they might have migrated for education purposes. Obtaining a university degree abroad is less frequent among the Albanian Diaspora (55%).

The surveys show that the Albanians and Bosnians migrants have different destination countries; the Albanian respondents have mainly migrated to their neighbouring countries, namely Italy and Greece, while the Bosnians have mostly migrated to the UK and the USA. Another difference related to migration periods is that 77% of Bosnians have migrated before 1997 while 78% of Albanians have migrated after 1997. While the former case might be explained by massive exodus followed the Bosnian War, the latter case is due to civil unrest and turmoil caused by the collapse of pyramid schemes in Albania.

Furthermore, the respondents were asked regarding their initial, current and future plans of migration as well as the possibility of returning to home country for investment reasons. In both cases, the highest percentage of respondents had as initial plan to stay temporarily in the host country and return to their home country. Staying permanently was the second most planned option again for both cases. When compared between initial and

current plans, there is an increase of percentage of respondents who want to stay permanently among Albanians while there is a high percentage of Bosnians who are not sure of what actions to undertake. If we take a look at the future plans, again 65% of Albanians are not sure whether to return and when. Therefore, considering this high level of uncertainty among migrants for both countries, it is necessary to undertake policies and activities which advice and encourage these people to decide what is best for them to do. This takes a special importance in case of Albanian migrants who are concerned with unemployment issues in Greece and Italy as a result of the economic crisis.

Both Diasporas are currently employed either in public or private sectors. There are some percentages among them who are either self-employed or unemployed. The percentage of unemployed is higher among Albanians mainly because of the crisis that the host countries where they are residing face. In both Diasporas, 13% of respondents are self-employed which means that these groups are the ones who have the potential, skills and experience to link with entrepreneurs in Albania. 88% of the respondents assess the skills they have acquired in the host countries as employable both in Albania and Bosnia and they are willing to offer these skills to private companies and institutions. When asked about the ways to do this, the options are ranked from returning permanently and returning temporarily to giving online services.

The Diaspora Survey sought to collect information not only about the willingness of return but also about actual and potential investment both in Albania and Bosnia. When compared, we notice that Bosnian Diaspora invested more in Bosnia than the Albanian Diaspora have done so in Albania. Nevertheless, the Albanians are involved in more entrepreneurial activities than the Bosnians who in turn have invested more in housing market. Bosnians tend to invest both in rural and urban areas while the Albanians have invested mainly in urban area (20% in rural areas).

Regarding the future plans to invest, the positive fact is that in both Diasporas, there is willingness to invest, namely 34 % for Albanians and 42% for Bosnians. Again the two main types of investment are business set

up and house purchasing. The Bosnians are willing to invest more in business set up than in house purchase. When the areas of investment are compared, we notice that there is an increase of potential investment in rural area for Albanians while 66% of Bosnians are not sure where to invest. The main reasons for this high value are lack of information, insufficient income and lack of security. These are the same reasons for Albanians together with the lack of government support.

When asked if satisfied with the income, 35% of Albanians are satisfied or very satisfied compared to 77% of Bosnians giving the same answer. Nevertheless in both cases, around 50% of respondents save less than one quarter of their income.

When it comes to remittances, Bosnian Diaspora remits in higher amounts than Albanians. This may be due to the fact that the Albanians are living mainly in European countries facing financial crisis. Another feature is that Albanians remit also mainly in kind which can be due to the fact that most of them reside in neighboring countries and the transportation is not an issue. Delivery is done mainly through postal ways for the Bosnians and mostly personally or through friends for the Albanians. Again, around 80% of respondents remit less than one quarter of their income.

Regarding their last time in each respective home country, in both cases 76% of the respondents have been at least once within the last 12 months. The Albanians abroad do not as have strong affiliation with the Diaspora organizations as Bosnians who attend regularly or irregularly Diaspora events by 74%.

### **4.3. Main conclusions**

Diaspora surveys conducted among Albanian and Bosnian Diasporas were meant for assessing the Diaspora potential and willingness to invest in home country. What emerges is that, in both cases, most of the respondents had planned initially to stay temporarily in the host country and return afterwards to their home country. Although their initial plans were in favor of temporarily migration, their current plans have moved to a permanent

type of migration and this is more pronounced in case of Albanian migrants while a kind of uncertainty seem to prevail among Bosnian migrants. No clear pattern emerges as regards future migration plans where 65% of Albanian and 41% of Bosnian migrants seem to not be sure whether and when to return. Such a high level of uncertainty on current and future migration plans that exists among migrant should be addressed by the Albanian and Bosnian governments with appropriate policies and action plan strategies should be undertaken to advice the Diaspora on what is best for them to do. This takes a special importance in case of Albanian migrants most vulnerable to unemployment and underemployment during the economic crisis that has affected the two primary destination countries, Greece and Italy. The high percentage of unemployment among Albanian respondents confirms the disadvantageous situation they are faced with.

Besides questions on migration plans needed to capture the migrants' willingness to return, the Diaspora Surveys assessed also the actual and potential investment situation both in Albania and Bosnia. In total, Bosnian Diaspora has invested more in Bosnia than the Albanian Diaspora in Albania but such investment is mainly performed in the housing market. Regarding the future plans to invest, 34 % of the Albanian respondents and 42% of the Bosnian respondents are interested to invest at home but when asked on the areas of investment, Bosnian respondents seem to be more uncertain due to a lack of information, a lack of government support and an insecurity perception.

When it comes to remittances, Bosnian Diaspora remits in higher amounts than Albanian Diaspora does but the latter remit also in kind. Delivery is done mainly through postal ways for the Bosnians and mostly personally or through friends for the Albanians.

Links with origin country are an important indicator to evaluate the diaspora interest in contributing in home country. In its regards, both Bosnian and Albanian respondents appear to maintain active links to their countries (by visiting at least once per year in 76% of cases) and Diaspora organizations. Nevertheless, the Albanian respondents appear to attend less Diaspora events than the Bosnian respondents do.



Considering all above-stated, we can see that our governments should explore possible solutions to maximize the benefits of migration and their contribution to economic growth and poverty reduction. Albanian and BiH government should conduct all necessary activities to develop capacities to mainstream migration into national development plans and to increase positive effects of migration in order to reduce negative ones.

## 5. Round tables

In this chapter, we will present the results of consultation process with local stakeholders in order to develop solutions that are considered as feasible by majority of stakeholders and that are situated in the current policy context. The consultation process was performed through a series of round tables organized in both countries, where the key stakeholders were invited and participated in the discussion of possible alternatives. The list of stakeholder includes representatives from government institutions, academic community, international development agencies and organization, as well as banks and other financial institutions<sup>20</sup>.

Before round tables, a desk-based research was conducted in order to collect available information about successful project around the world in linking rural entrepreneurs and diaspora. Selected successful examples were presented to stakeholders at round tables organized as a part of the project, in order to discuss these examples and choose the ones that are the most suitable for our countries (Albania and BiH) and the ones which we can expect will yield the best possible outcomes.

The round tables were consisted of two parts. The first part of the round table was devoted to presentation of research findings from the Rural Entrepreneurs and Diaspora survey, as well as presentation of the best practices from the world in engaging diaspora in development of their home country, in order to inform stakeholders about the key areas of intervention for improving both entrepreneurial activity and engagement of diaspora, and possible solutions that can be used in our countries.

The results of analyses of rural entrepreneurs and diaspora, presented above, suggest that the main areas of intervention for linking the two are remittances, investments and transfer of skill. For that reason, a list of conclusions from round tables, referring to the best practices from the world,

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<sup>20</sup> Round tables can be also considered as advocacy activity. For example, six months after the first round table in BiH, where we recommended solutions such as local investment conferences and banking services designed for diaspora, the first two local investment conferences were held (in Prijedor and Mostar), and a local bank (which had a representative participating in the round table) started offering their services targeting BiH diaspora.

will be presented by each of these areas of intervention in each country, as well as several examples of solutions in other areas of intervention (such as exports or rural tourism) that would be worth considering in our countries.

#### **a. Albania**

Two round tables were organized in Albania, one in Tirana in cooperation with the Ministry of Agriculture and another in Elbasan in cooperation with the Regional Office of Agriculture with the participation of representatives from non-government organizations and association of rural entrepreneurs as well as scholars and experts in the field of agriculture and development. After the presentation of the key findings from the surveys (analysis of rural entrepreneurship and analysis of diaspora), round table participants were invited to discuss the results and possible solutions for engaging diaspora to invest in rural area in Albania. During the discussions the participants commented the surveys' results as realistic and very close to their own experience.

Round tables participants emphasized that the main obstacles faced by rural entrepreneurs are related to high costs of pesticides and seeds and other raw materials needed as well as high price of fuel that makes more costly the rent of agricultural machinery. To reduce the high fuel costs, they suggested that subsidies should be provided by the government in form of direct reimbursement to rural entrepreneurs instead of to oil companies as it was previously done. Also, rural entrepreneurs mentioned that bank loans although easily accredited are not preferable due to their high interest rates and for that they suggest the opening of an agricultural bank that might facilitate finance conditions to rural entrepreneurship. In turn, the representatives from the Ministry of Agriculture informed rural entrepreneurs that a new type of subsidy is approved by the Ministry to cover interest rates of bank loan cost the rural entrepreneurs ask for expanding their business. Among factors determinants for the business success, they mentioned the access to agricultural school formation and training in rural area as well as the experience gained in migration. Finally, corruption practices was also addressed as key obstacle when applying for

subsidies and therefore such concern should be urgently taken into consideration by the governmental bodies.

Next, round tables participants commented the results of diaspora Survey and possible solutions to channel Diaspora future plans and investments versus rural development.

First, **new and specific Diaspora-related policies** should be designed because the strategies undertaken so far from the Ministry of Agriculture and the Ministry of Labor are intended only for the returning migrants, and the Diaspora is almost ignored. For that, the immigration offices within the Ministry of Labor should be empowered to and given the task to set direct connections with the Diaspora networks and association in order to give them information about procedures and investment.

**The lack of information** is the main problem hindering the Diaspora from investing in the country. One solution is that the Chamber of Commerce in foreign countries where the Diaspora is residing together with the respective Embassies should make the information available. They should be active in promoting information regarding places and sectors where to invest, procedures of how to invest or how to apply for loans, offer possibilities of connecting current rural entrepreneurs with Diaspora members who are willing to invest. As a consequence, a network should be constructed and database of contacts should be made available.

A special institution dealing with the Diaspora issues should be set up similarly for example a **Ministry of Diaspora** like in the case of Kosovo. This institution or even a new Ministry according to the suggestions of some political parties is very important especially nowadays that there is a high number of returning migrants in Albania. These migrants or the ones who are still residing abroad have the necessary know-how capacities, capital resources and most importantly the willingness to invest in their home country. But, in order to coordinate the whole process of connecting the migrants with the rural entrepreneurs should be done by a state institution which is focused on this issue.

Actually, the Ministry of Agriculture has financial supporting schemes for the rural entrepreneurs called as IPARD in the areas of agro processing

and farming. The Ministry of Agriculture goes to different cities and gathers young entrepreneurs and informs them for the possibilities of subsidies and different available support schemes. Regarding the 2014-2020 schemes, 60% of the expenses are covered for the young entrepreneurs or young farmers in helping them to start up a business while for the mountainous region up to 75% is covered. It is important here that there is an **intermediary institution** which connects the Diaspora with the Department of Rural Development which manages the support schemes for the young entrepreneurs.

The Ministry of Agriculture is doing some proposals regarding agro tourism and other new areas of investing in rural area apart from agro processing and farming. These proposals aim to attract new funding schemes for the new entrepreneurs.

#### **b. Bosnia-Herzegovina**

Two round tables were organized in Bosnia-Herzegovina, one in Sarajevo for the state and entity level institutions, and another in Tuzla for the cantonal level institutions. Round table in Sarajevo gathered around 20 participants from different stakeholders, while in Tuzla there were around 50 participants. After the presentations of preliminary findings from the two studies completed as a part of this project and presented earlier in this report (analysis of rural entrepreneurship and analysis of diaspora), which took about an hour, possible solutions for engaging diaspora in rural development of BiH, based on the analysis of best practices from the world, were discussed. List of solutions were presented and discussed in four different topics, as solution for problems identified through previous research: Savings and remittances; Investments (both to be engaged as solutions for lack of finance to entrepreneurs in BiH); Transfer of skills (to engage skills available in diaspora in order to mitigate the problem of lack of skills to entrepreneurs in BiH); and Other contributions (primarily trade and tourism, in order to provide access to markets to BiH entrepreneurs). Discussion of possible alternatives took more than two hours at each of the

two round tables. The main conclusions were agreed at the end of the round tables. In addition, written conclusions were sent to all participants after the round tables, for additional comments and suggestions. The main results of these discussions are presented below.

***Savings and remittances.*** The research suggests that diaspora has a considerable amount of savings available, and already send large amounts of remittances to BiH, so these can be identified as possible important channels of contribution of diaspora to rural development in BiH. However, participants at the round tables agreed that provision of incentives by the government through the financial institutions in order to attract more savings at banks in BiH is not a viable option in the case of BiH since vast majority of banks are foreign owned. There are still possibilities for commercial banks and other financial institutions to identify BiH diaspora as a potential market and to design products, such as savings accounts, that would be interesting to BiH diaspora (such as the savings and interbanks money transfer schemes available in Mexico). Besides that, the BiH government can consider the possibility of securitizing remittances flows (as done by El Salvador, for example). Finally, BiH government could work on development of a network of rural savings banks, where savings from diaspora could also be collected (for example, BANSEFI Mexico).

***Investments.*** Diaspora is already contributing to the economic development of the country by investing in BiH, and often transferring part of their businesses to BiH. These activities are of particular importance for BiH if we take into account that the main obstacle for rural entrepreneurship, as identified in the study presented above, is access to finance. However, there was no organized support by the government in these activities of diaspora; rather more obstacles were created to such initiatives. Government should work on improving business climate overall, but also provide services for supporting transfer of businesses from abroad to BiH, such as “one-stop-shop”, or services such as the ones provided by the Israeli Ministry for Immigrant Absorption. Participants agreed that the attraction of investment should be performed more efficiently by local governments and that diaspora has stronger connection with local community than the whole country. One

of the activities to be performed by local government could be organization of local investment conferences, where investment opportunities at the level of municipalities could be presented to diaspora during their visits to BiH. At the level of BiH, current government institutions, such as the BiH Foreign Investment Promotion Agency (FIPA), should put more emphasis on our diaspora as one of their main target markets. One of the particular obstacles for further involvement of BiH diaspora through investment is the lack of investment opportunities, so these institutions should work on provision of such information to our diaspora. Finally, activities on strengthening the links between businesses in BiH and businesses in our diaspora should be conducted. This can be performed through business related partnership between cities in BiH and cities abroad in which we have large diaspora communities (e.g. Twinning programme between Netherlands and Turkey), or through developing transnational networks of businessmen (e.g. GlobalScot network of businessmen from Scottish diaspora).

***Transfer of skills.*** As the research of BiH diaspora, presented above, has shown, our diaspora is relatively highly educated and majority of them are willing to employ their skills in BiH. Most of them would prefer to transfer their skills through provision of online services, which is currently not available to a sufficient extent in BiH. These options should be made more available to our diaspora. Also, for the ones interested in permanent return, more information about available labour market opportunities should be provided. Opportunities for volunteering by students or graduates (such as CUSO-VSO in Guyana) or other types of engagement of expert diaspora in BiH (something similar to BESO programme in UK) should be available. Finally, similar to the previously suggested establishment of networks of businessmen, it would be beneficial to have a strong and functioning network of researchers and consultants in our diaspora, particularly for engagement on research project and consulting activities in BiH. There are already several associations of BiH experts abroad; however they are not yet at the stage of full functioning and ability to take over implementation of some project activities in BiH. Support by the BiH government to these organizations could potentially be very beneficial.

**Other contributions.** Out of a range of possible additional contributions of diaspora, besides transfer of money and skills, participants agreed that the most important could be enhancement of cooperation between exporters from BiH and importers in diaspora, in order to improve access for Bosnian companies to the foreign markets, as well as tourism by diaspora to BiH (including volun-tourism). Emigration from BiH was predominantly migration of entire families and average age of BiH diaspora (number of years since emigration from BiH) is 17 years, so many of diaspora members do not have strong connection with BiH any more. Still, they still visit the country once in two years on average. This should be acknowledged and appropriate tourism offers provided to diaspora members during their visits. As our diaspora is predominantly concentrated in urban areas, it is likely that our diaspora, as well as their friend from abroad who would accompany them during their visits of BiH, would be particularly interested in rural tourism. However, this interest as well as the contents of the offer that would attract our diaspora should be prepared after detailed marketing research among members of our diaspora.

To conclude, besides concrete examples of possible engagement of BiH diaspora in economic development of their home country, particularly focusing on engagement of their identified potential they are willing to employ (as found through the research of BiH diaspora presented above) in order to mitigate obstacles for rural entrepreneurs (identified in research presented above), several general conclusions were agreed at the round tables. First, governments at all levels should be more aware of diaspora potential for economic development of the country. Second, diaspora's engagement should not be only the responsibility of a single agency (in case of BiH, Department for Diaspora at the Ministry for Human Rights and Refugees), but all stakeholders dealing with the issues of economic development. In that sense, establishment of inter-institutional working groups for communication with and attraction of more contributions by our diaspora is recommended. Third, implementation of many of the proposed activities could be more effective at local level. Fourth, availability of data and research of diaspora's potential and options for contributions should be



improved. Finally, communication from our governments to diaspora should be improved, both in terms of availability of data and in terms of communication strategies, in order to be accepted by diaspora as partners, and not only as the ones interested in their philanthropic contributions and remittances sent to their family members.

## **6. Conclusions and policy recommendations**

The analyses conducted in this project, presented above, provides useful evidence that can be a good basis for developing policies aiming at larger and more effective engagement of diaspora in rural development of Albania and Bosnia-Herzegovina. Analysis of rural entrepreneurship has identified the main factors affecting success of rural businesses, while the analysis of diaspora has revealed potential and willingness of diaspora members to be engaged in rural development. These two analyses have identified the main areas of intervention in linking the resources available in diaspora with the needs identified among rural entrepreneurs. The consultation process with stakeholders, where the possible areas of intervention are identified, referring to successful solutions applied around the world, has produced the list of possible solutions for linking diaspora and rural entrepreneurs that can be applied in Albania and BiH. The list of possible solutions, presented in the previous chapter, can be considered as detailed policy recommendations, so will not be repeated in this section. This section summarizes the main findings and conclusions emerging from the research conducted in this project.

The results of the rural entrepreneurship survey reveal that the main factors affecting success of rural enterprises in Albania and BiH are related to financial, institutional and infrastructural constraints. The model has shown almost each factor to have a similar level of impact on the rural success, which means we need to work on those factors simultaneously, without prioritizing one over another. The results also show that rural entrepreneurs expect more support from local than state level government.

The government needs to start implementing necessary reforms of administrative procedures, improve functioning of their services to businesses, including better targeting and coverage of subsidies, and to make other improvements of business climate (e.g. reducing tax burdens to businesses). These reforms, as we saw from the results presented, will help rural entrepreneurs to grow faster, but would also increase entrepreneurial activities by other people in BiH as well as attract more foreign investments.

All these would result in a decrease of unemployment, which is highest in Europe and should be one of the goals at the top of the agenda of the BiH government.

The surveys conducted among Albanian and Bosnian Diasporas were aiming at assessing the Diaspora's potential and willingness to invest in home countries. The results suggest that, in both cases, most of the respondents had planned initially to stay temporarily in the host country and return afterwards to their home country. Although their initial plans were in favor of temporarily migration, their current plans have moved to a permanent type of migration and this is more pronounced in case of Albanian migrants while a kind of uncertainty seem to prevail among Bosnian migrants. No clear pattern emerges as regards future migration plans where a large part of migrants from both countries seems not to be sure whether and when to return. Such a high level of uncertainty on current and future migration plans that exists among migrants should be addressed by the Albanian and Bosnian governments with appropriate policies and action plan strategies should be undertaken to advice the Diaspora on what is best for them to do.

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## **Appendices**

## 1. Questionnaire from Rural Entrepreneurs survey

If responded unknown (not taken from the database):

1. Location of your business: a. Village b. City c. Suburb  
d. Other, please specify \_\_\_\_\_
2. Municipality your business is located in: \_\_\_\_\_
3. Type of the business: a. Fruits b. Vegetables c. Meat and dairy production d. Fisher  
e. Honey f. Aromatic Herbs g. Vine h. Tobacco i.  
Trade/local shop j. Rural tourism/hospitality j. Other, please  
specify \_\_\_\_\_  
k. pastry, bread, pasta

### A. Characteristics of entrepreneur (the one who makes strategic decisions in the business):

A1. Sex	A2. Age	A3. Place of birth	A4. Place of current residence	A5. Highest education level completed	A6. Work experience (years)	A7. Migration experience (time spent abroad in years)
1. Male 2. Female		1. Rural 2. Urban	1. Rural 2. Urban	a. in BiH _____ b. Out of BiH: _____ c. Type of school/college: _____ Elementary Secondary University Masters Ph.D	Total: _____ In this sector: _____ Out of BiH in this sector: _____	a. Time spent out of BiH: _____ b. Year of departure first time: _____ c. Year of return to BiH: _____

### B. Characteristics of the business

B1. Year when started	B2. Number of owners	B3. Number of employees	B4. Your employees are (in numbers)	B5. Business is:	B7. Average annual production (in KM) yields:	B12B. Do You Advertise
		a) Currently: _____ b) At the firm establishment : _____	a. Full-time: _____ b. Part-time: _____ c. Seasonal : _____	a. Established b. Inherited from parents c. Bought d. Other, please specify: _____	a) Today: _____ b) when started: _____	a. radio b. tv c. internet d. fair

B8. Assets you use for your business (land, buildings, etc.) are	B9. Do you plan to expand the production	B10. Do you have written business plan	B11. What was the main source of income when you started your business	B12. Do you receive money from abroad	B12A. Have your property been destroyed in the war
a) your ownership b) rented c) other: _____	a. Yes b. No	a. Yes b. No	a. My savings b. Family savigns c. Friends savigns d. Bank credit e. Savings from abroad	a. Yes b. No	a. Yes b. No

B13. Distance to closest bank/microcredit branch	B14. Distance to a regional road or highway (in km)	B15. Do you have access to:	B15 b. Do you have multiannual contract to buyers:	B16. Do you export	B17. Main buyers of your products:	B18. Distance to your largest customer/market	B19. Are you member of coop/association
		a. Roads: YES NO b. Internet: YES NO c. Water: YES NO d. Electricity: YES NO	a. Yes b. No	a. Yes b. No	a. Restaurants b. Processing industry c. Retailers d. Public services e. Individuals f. own consumption g. International buyer h. Government g. Other, please specify: _____		a. Yes b. No

C. In running your business, you face following obstacles:

Obstacle	Never	Rarely	Frequently
<b>I Administrative</b>			
1. Complicated procedures for obtaining subsidies			
2. Lack of support by the government			
3. High taxes and contributions			
4. Lack of local community support			
5. Difficulties in obtaining standards, certificates			
6. Other, please specify:			
<b>II Infrastructure</b>			
7. High transportation costs			
8. No access to water			
9. No access to phone, internet, etc.			
10. Other, please specify:			
<b>III Skills</b>			
11. Lack of trained labour force			
12. Other, please specify:			
<b>IV Access to market</b>			
13. Difficulties in selling the products			
14. Low price of products offered by resellers			
15. Too volatile exchange rates			
16. Large number of small competitors			
16a. Large number of large competitors/trade centres			
17. Expensive/large prices of / raw materials			
18. Distant larger groceries or discount centre			
19. Other, please specify:			
<b>V Access to finance</b>			
20. High interest rates			
21. Difficulties in obtaining a loan			
22. Other, please specify:			

The following factors were, for the success of your business:

Factor	Not important at all	Important	Extremely important
Education and training of the owner			
Loans received			
Business connections and friendships			
Personal contacts with owners of companies to which we sell our products			
Availability of raw materials			
Support by the government			
Support by family members living abroad			
Other, please specify:			

## 2. Questionnaire from Diaspora survey

### Page 2. EDUCATION

Q13. Highest degree earned

- 1 No education
- 2 Primary school
- 3 Secondary or vocational
- 5 University
- 6 Postgraduate (Masters, doctoral)

Q14. I earned my highest degree: In BiH      Abroad

Q22. I have skills that can be employed well in BiH? YES                  NO      I don't know

Q23. I am interested in offering my skills to companies in BiH? YES                  NO      I don't know

Q24. I can offer services to

- a. Businesses
- b. Educational and research institutions
- c. Government
- d. Other: \_\_\_\_\_

Q23. I am interested in offering my skills to companies in BiH?

- a. Through permanent return,
- b. Through temporary return, up to 3 months
- b. Through temporary return, up to 6 months
- b. Through temporary return, up to one year
- b. Through temporary return, more than one year
- c. Through services online,
- d. Other way: \_\_\_\_\_

### Page 3. JOB and INCOME

Q15. Your employment status:

- Unemployed
- Self-employed/entrepreneur
- Employed at home, paid
- Employed at home, unpaid
- Employed in a family business, paid
- Employed in a family business, unpaid
- Employed in private sector
- Employed in public sector
- Other

Q19. Occupation at home country before migration \_\_\_\_\_

Q20. Occupation in migrant country \_\_\_\_\_

Q21. I work on a job appropriate for the education level and skills I have. YES NO I  
don't know

Q17. Personal monthly income

- 1 No income
- 2 Less than \$500
- 3 \$500-\$1,000
- 4 \$1,000-\$2,000
- 5 \$2,000-\$4,000
- 6 \$4,000-\$7,000
- 7 \$7,000-\$10,000
- 8 \$10,000-\$15,000
- 9 \$15,000-\$25,000
- 10 \$25,000 or more

Q18. Household monthly income

- 1 No income
- 2 Less than \$500
- 3 \$500-\$1,000
- 4 \$1,000-\$2,000
- 5 \$2,000-\$4,000
- 6 \$4,000-\$7,000
- 7 \$7,000-\$10,000
- 8 \$10,000-\$15,000
- 9 \$15,000-\$25,000
- 10 \$25,000 or more

Q16. Satisfaction with present income

- 1 Not satisfied at all
- 2 not satisfied
- 3 A little satisfied
- 3 Satisfied enough
- 4 Very satisfied

BUSINESS

Q25. Do you own a business?

- 0 no
- 1 yes



Q25.1. where is your business located

- a. in BiH
- b. in the country that i am currently residing
- c. other, specify \_\_\_\_\_

Q26. If your business is located out of BiH:

- |  |     |    |                    |
|--|-----|----|--------------------|
| a. You import products from BiH:                         | YES | NO | NO, but willing to |
| b. You employ seasonal workers from BiH:                 | YES | NO | NO, but willing to |
| c. You set up subsidiary/production plant in BiH:        | YES | NO | NO, but willing to |
| c. You provide financial support and investments in BiH: | YES | NO | NO, but willing to |

Q27. If not, what is needed in BiH to attract you

Page 5. INVESTMENTS

Q30. Have you ever invested money in business in home country?

- 1 Never. Explain why not: \_\_\_\_\_
- 2 yes, Once in a while
- 3 yes, Regularly ( since, how many years \_\_\_\_\_)

Q31. If yes, you invested in:

- a. Business start-up
- b. Land
- c. House/Flat
- d. Government bonds
- e. Shares of companies
- f. Other: \_\_\_\_\_

Q36: If yes, in which areas are you interested to invest:

- 1 urban area
- 2 rural area
- 3. I don't know

Q32. If yes, do you have contacts at home:

- 1 Yes, but these contacts are not so important for my activity at home
- 2 Yes, these contacts have been crucial for my investment
- 3 Yes, because we are members of an association
- 4 Yes, because i am planning to start a a joint business
- 5 No, i dont have contacts
- 6 Dont know

Q33. If yes, what was the main source of information to start the business:

- 1 Friends, relatives
- 2 Media
- 3 other published sources
- 4 other emigrants
- 5 State business information bureaus
- 6 private companies
- 7 official information from the government
- 8 internet
- Other sources, specify \_\_\_\_\_

Page 6. PLANNED INVESTMENTS

Q28. I am interested in investing (more) in BiH. YES      NO      I don't know

Q35: If not, why not:

- 1 I don't have the many saved for investing
- 2 I don't know where to invest
- 3 I don't know where to look for info
- 4 complicated legal requirements to start up
- 5 high investment requirements
- 6 lack/difficulties to access information where to invest
- 7 high taxes
- 8 high uncertainty to invest in the home country
- 9 low support of the local authorities
- 10 other, specify \_\_\_\_\_

Q29. If interested to start a business activity in BiH, probability that I will start my business in;

a. less than 1 year: none (0%), not likely (less than 50%), likely (more than 50%) certain (100%)

a. 1 year: none (0%), not likely (less than 50%), likely (more than 50%) certain (100%)

a. 1-3 years: none (0%), not likely (less than 50%), likely (more than 50%) certain (100%)

a. 3-5 years: none (0%), not likely (less than 50%), likely (more than 50%) certain (100%)

a. more than 5 years: none (0%), not likely (less than 50%), likely (more than 50%) certain (100%)

Q34.1. If yes, then in what:

a. Business start-up

b. Land

c. House/Flat

d. Government bonds

e. Shares of companies

f. Other: \_\_\_\_\_

Q36: If yes, in which areas are you interested to invest:

1 urban area

2 rural area

3. I don't know

Q31.2 If yes, which is the geographical location (name of the city or village) : \_\_\_\_\_

1, if yes, specify the business activity \_\_\_\_\_

2 if yes, specify the reason why this activity \_\_\_\_\_

If not

- In country of my current residence
- In BiH

Q38: If yes, how much initial resources do you think are needed to develop the business:

- 1 Below \$500
- 2 500-1000 \$
- 3 1001-5000 \$
- 4 5001-10000 \$
- 5 10001-20000 \$
- 6 20001-30000 \$
- 7 30001-40000 \$
- 8 40001-50000 \$
- 9 above 50000 \$

Q39: If yes, how much of initial resources can you fund with your own resources:

- 1 Below \$500
- 2 500-1000 \$
- 3 1001-5000 \$
- 4 5001-10000 \$
- 5 10001-20000 \$
- 6 20001-30000 \$
- 7 30001-40000 \$
- 8 40001-50000 \$
- 9 above 50000 \$

Page 7. SAVINGS AND REMITTANCES

Q40. Percentage of your monthly income you save: \_\_\_\_%

You keep your savings in:

- a. bank in your country of current residence
- b. bank in BiH
- c. other: \_\_\_\_\_

Q41. Do you send remittances to home country

- 0 No
- 1 Yes

Q42. If yes, you sent

- a. Only money
- b. Mainly money
- c. Equally money and in kind
- d. Mainly in kind
- e. Only in kind

Q43. Percentage of your monthly income you send

Q44. If yes, Frequency of remittances

- 1 Once a month or more
- 2 At least once every three months
- 3 At least once every six months
- 4 At least once a year
- 5 Very infrequently

Q45. On average, you send per one transaction

Money: 0, less than 1000, 1001-2000, etc.

In kind: 0, less than 1000, 1001-2000, etc.

Q46. What kind of transfer mechanisms you use the most?

- Bank transfers
- Western Union transfers
- Post offices
- Friends
- Personally
- Other

Page 8. LINKS WITH BiH

Q47. Do you have BiH citizenship? YES, only BiH    YES, with other    NO

Q48. Do you have family members still living in BiH

- a. partner
- b. children
- c. parents
- d. other: \_\_\_\_\_

Q49. When did you visit BiH last time?

- a. before less than 1 month ago
- b. before 3-6 months ago
- b. before 6-12 months ago
- b. before more than 1 year ago
- b. before more than 3 year ago
- b. before more than 5 year ago

Q51. How many times did you visit BiH in the last 5 years?

Q52. How long did you stay per visit on average?

Q53. Are you member of any diaspora associaton?

Association of BiH diaspora: YES NO

Home town association: YES NO

Sports association of BiH diaspora: YES NO

Academic association of BiH diaspora: YES NO

Religious association of BiH diaspora: YES NO

Other, specify:

Q54. How often participate in activities organized by diaspora associations

1 Never

2 Once in a while

3 Regularly

If never, is there any reason why:

Q58. Language spoken at home:

a. BHS

b. Country of destination

c. Other: \_\_\_\_\_

Q59. Would you like to give your opinion how diaspora could support rural entrepreneurs in the home country?

If yes, specify \_\_\_\_\_

Page 9. DEMOGRAPHIC INFO

Q1 Sex:

- Male
- female

Q2 Year of birth: \_\_\_\_\_

Q3. Marital status:

- Married
- In partnership
- Single
- Separated
- Divorced
- Widowed
- Other

Q4. Number of household members: \_\_\_\_\_

Q5. Country of living: \_\_\_\_\_

Q6. I moved here from: BiH                      Other country

Q7. Year when emigrated from BiH: \_\_\_\_\_

Q8. Number of years in the current destination country: \_\_\_\_\_

Q9. Initial migration plans

- 1 Stay here permanently
- 2 Stay here temporarily and return home
- 3 Stay here temporarily and move to another country
- 6 Don't know
- 7 Other

Q10. Current migration plans (if different from previous)

- 1 Stay here permanently
- 2 Stay here temporarily
- 3 Stay here seasonally
- 5 move to another country
- 6 Don't know
- 7 Other

Q11. If answered 2 or 3, when do you intend to return home?

- This year
- Next year
- In 2 years
- In 3 years
- In 4 years
- In 5 years
- In 6-10 years
- In more than 10 years
- I don't know

Q12. Residency status

- 1 Citizenship
2. permanent residence permit
3. temporary residence permit
- 3 Other type of visa
- 4 Other

Q. Please express you ethnicity in percentages:

Bosnian

Serb

Croat

Other BiH ethnicity

Resident of country of destination

Other



### 3. Case studies

#### **Case study 1. ELBANOR, Albania**

This business initiated in 1994 as a project supported by the Norwegian government, in 2005 was converted into a business and currently it has an annual turnover of 12000000 Lek. It is located in a village close to Elbasan (Gjergjan) and deals with the distribution of semen and insemination. Semen was initially sent from the NRF Norwegian Red to Albania and used on local cows to increase the milk and beef production in the country. The manager of ELBANOR distributed the NRF semen out to 150 veterinarians and carried out the insemination. Currently, Albanian cows are sired by NRF bulls.

The manager of this business is a well-known veterinarian in the region with 27 years of experience in the sector. He holds a PhD degree in veterinarian sciences and has attended several trainings in north Europe countries such as Norway and Austria. The owner of this business also organizes courses to train other veterinarians on crossbreeding and prepares and distributes frequently booklets with relevant information. He believes that advertising his business through booklets is very important for the business success. In this way, his customers come from all parts of Albania, even from the extreme north. The manager of this business intends to expand his activity and has also a written business plan.

Asked on administrative obstacles, he says that the lack of support by the government is not the main concern; rather taxes are high and impede his business expansion. Transportation costs are very high and make up the main market concern while the infrastructure is good. A well-trained labour force is very important for this type of business and the Albanian cattle breeders must attend specific courses to get updated with the modern technologies. An obstacle in selling his products (semen) is the difficulty to convince the cattle breeders on the importance of the race improvement. Considering that the semen is imported, the owner complains on the high volatility of exchange rates while market completion is not a concern yet.

The owner believes that the key factor for his business success is the qualifications he has got abroad and the frequent contact maintained with Norwegian partners. As such, he recommends that the training courses are extremely important to the Albanian cattle breeders, especially if attended abroad. Also the microclimate conditions together with the quality of nutrition are important factors for this

specific business. Also personal contacts with the clients are important success factors. It is interesting to note that he doesn't find important the support of other bodies such as state or family members but believes in own forces. That's very common in persons having developed their carrier abroad on their own.

He concludes the interview with the words: "I have seen happy farmers only in Austria" inferring that one should love his own activity in order to have success.

## Case study 2. Vocar Piramida Visoko, Bosnia-Herzegovina

### 1. Basic information about the business

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NO OF EMPLOYEES	YEAR OF ESTABLISHMENT	OF FRUIT EXPORT	TYPE OF BUSINESS	THE SOURCE	MARKET	CUSTOMER
AT BEGINNING: 3	2007	>2,000 TONS	FRUIT GROWING & PROCESSING	BANK CREDIT & SAVINGS	EU	RETAILER
CURRENTLY: 12						

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### 2. Background information about the business.

The business is located in a rural area nearby town of Visoko. It is an agricultural farm, today mainly producing fruits such as plums and pears, and to lesser extent also different sorts of vegetables. Initially, they were also producing strawberries and raspberries, but owner's experience is that they were not so profitable. The owner established this business in 2003, when he returned from abroad. He was mechanical engineer, and spent around 30 years at oil platforms around the world. In 2003, he returned to BiH and started agricultural business. In the same year, he enrolled in distance-learning undergraduate program at a University in the UK and completed it four years later.

### 3. Current situation.

The business owns several farms at locations around the town of Visoko. Within the largest farm of plums, the owner has built accommodation facilities for around 100 visitors. So far, there were visitors to the farm, but the accommodation is not fully utilized. The owner believes that this accomoation could be interesting to our diaspora as well, only appropriate advertizing is necessary. Company owns GlobalGAP and ISO standards.

- **Management** The business is managed completely by the owner. He has a number of small subcontractors, mainly small agricultural farms producing and selling plums and pears to him.
- **Investments** The owner invested in expansion of production of plums a few years ago, based on orders made by his major buyer from Germany. This year, he expects this investment to results in increase in production of plums by 30%.
- **Market** The owner does not have his own storage facilities, but uses other ones available in the area. However, believe that more storage facilities are necessary. Since his main customer is a company in Germany, mainly the products are packaged in bulks and then transported by trucks. The

transport costs are high, and availability of railway transport would help the business. He was also selling his products to the local retail chains, but decided to break relationship with them due to collection of payments problem, and focus on foreign markets.

- **Economic performance**

The company is, since it's establishment in 2003, making profit and increasing output. AT the moment, there are 3.000 trees of apples, 7.000 of pears, 3.500 of blueberry and black-currant and other fruits and the plan is to expand further.

#### **4. Success factors**

He believes that the key to his success is education and skills he possesses. He believes that the main obstacle for success of other rural businesses is lack of knowledge and skills, combined with the lack of willingness to acquire necessary skills.

#### **5. Lesson learnt and recommendations**

The owner suggest that the problem of liquidity of rural businesses could be solved by introducing solution which would imply that VAT is paid after, not before, collection of payment for good sold. For transfer of skills, he suggests organization of local trainings, where more successful entrepreneurs would transfer their knowledge and experience to other entrepreneurs. He thinks that BiH producers should focus on more expensive products for the EU market. There is a time gap between delivery of fresh fruits from Spain and from Poland to the EU market. This gap could be filled by producers from BiH.

For engagement of diaspora, he suggests organization of local investment conferences. Also, he believes that a project aiming at preservation of indigenous species of fruits and vegetables in BiH would be useful.

## Case study 3. Beemed Tuzla, Bosnia-Herzegovina

### 1. Basic information about the business

Business has been established from its own resources. Market research provided the information that it needs this type of the product that we can produce domestically: honey. We are focused on the quality and distribution. We use retail sector to distribute products and constantly checking the quality of our honey suppliers, while maintaining prices at the competitive level.

NO OF EMPLOYEES	YEAR OF ESTABLISHMENT	MARKET	TYPE OF THE BUSINESS	SOURCE OF ESTABLISHMENT	CUSTOMER
AT THE BEGINNING: 2	2012	Domestic	Honey production	Personal savings	RETAILERS
CURRENTLY: 2					

### 2. Background information about the business

The business is located in the Tuzla periphery region, in the industrial business incubator. The owner is a woman, who has successfully finished Business Start-Up Program and started its own business. Financial resources used for registering the business, borrowed from her parents in combination with personal savings, and with the help of a Business Start-Up and business incubator.

### 3. Current situation

The business asset is rented. The business is producing various types of honey and the apple jam 100% organic, which is a unique jam product in BiH, made by the traditional recipe. The plan is to expand the production and have more product varieties. The product type is defined by the market demand and customer taste. So the business is regularly conducting market research.

- **Management** – this is a single female owner. The asses used for the business is under the rent in the business incubator.
- **Investments** – at the start the business has invested in machines for honey processing. The plan is to expand it and modernize.
- **Market** – The products are sold domestically, in Bosnia and Herzegovina through the network of malls and retail sector.
- **Economic performance** – The business produces 30 different products, 5 honey types and traditional apple jam. All is packed in the glass package, mini honey package for restaurants and coffeshops.

- **Success factors** – the factors are available resources and business relations and connections, partnerships with other businesses.

**Lesson learnt and recommendations** – State needs to ease the business by decreasing taxes and giving larger amounts as support for domestic production, providing financial support by grants and subvention of interest rates at development banks for entrepreneurship, provide support for employment.

The goal and the idea need to be fulfilled so that no obstacle becomes stronger than a wish for success. Our State has to take care of international promotion of domestic products to investors abroad. Financial resources are needed always and bank credits are too expensive and hardly obtained.

## Case study 4. Cooperative “Tresnja Produkt”, Bosnia-Herzegovina

### 1. Basic information about the business

Tresnja Produkt, agricultural cooperative is a production company, oriented on fruit seeds and seedlings. It is established in 2000 by Mr Dragan. Hard work and dedication of his family have developed the network of 120 subcontractors, who are in the production of fruits, vegetables and agriculture mechanics.

NO OF EMPLOYEES	YEAR OF ESTABLISHMENT	TYPE OF THE BUSINESS	SOURCE	MARKET	CUSTOMER
AT THE BEGINNING: 1 CURRENTLY: 3	2005	FRUIT SEEDLINGS	BANK CREDIT	DOMESTIC	INDIVIDUALS

### 2. Background information about the business

Tresnja Produkt is located in the rural region of Mostar, where the office and land are located. The business have emerged from the idea of the owner to use his knowledge in seedlings and to employ his family eventually. His daughter soon will be graduating agronomist, and the culture of seedlings and knowledge passes from the father to the children. Mr Dragan is an excellent in the production and cultivation and beside the sales of seedlings, he offers the services of advising producers how to grow fruit successfully.

### 3. Current situation

Tresnja Produkt is actively involved in organizing lectures in cooperation with professors from the Faculty of Agronomy Sarajevo to his subcontractors, in order to help them close the chain, from the seed to the fruit. The topics are wide, and suitable for a particular part of the year. Those activities showed fruitful and excellent step in his business and business of the subcontractors. Mr Dragan himself, attended several seminars organized by foreign NGOs.

- **Management** – Family run business, the plan is to make production chains wide and vivid among subcontractors and newcomers
- **Investments** – Investments are regular in the seedling. The quality is imperative and it is sustainable.
- **Market** – products are sold in the domestic market of BiH.
- **Economic performance** – Tresnja Produkt has many sorts of fruit seedlings. Currently there are seedlings of rose hip in the value of BAM 100.000 that are ready for the new planting season.

- **Success factors** – the factors are education of the owner and available resources for the company

**4. Lesson learnt and recommendations** – the energy put into the business and the vision how to connect all parts into one piece, from the seedling to the fruit and the devotion to the quality, have made this business successful. Seminars and education that the owner has organized are an effective tool to connect all parts, because it is the only way to success. When everyone in your line is happy with the business, you are happy. The state, will have to take into account certificate issue and effectively deal with it, because it is also in its interest, and definitely will help us along the line.

This cooperative embraces returnees in Mostar. It is evident that in the summer period, our Diaspora comes in Mostar and the city flourishes financially and in the number of people residing here. It would be nice to redirect the control of the money flow into productive use, instead of final consumption.



## Case study 5. [www.zdravo.ba](http://www.zdravo.ba) (online sales of organic food), Bosnia-Herzegovina

### 1. Basic information about the business

The idea for organic fruit and vegetable production have emerged from the market analysis, which have shown a need of people toward organic consumption and owners desire to feed them self healthy. The next step was to establish a firm and develop subcontractor network with other 6 small producers of fruits and vegetables. The plan is to expand the production and sales through retail and malls.

NO OF EMPLOYEES	YEAR OF ESTABLISHMENT	TYPE OF THE BUSINESS	SOURCE	MARKET	CUSTOMER
AT THE BEGINNING: 2	2012	FRUIT GROWING & PROCESSING	OWNER'S SAVINGS	DOMESTIC	INDIVIDUALS
CURRENTLY: 5					

**Background information about the business** - Faris is a PhD candidate at University Sarajevo, Economics, have 13 years of managerial experience in the areas of finance, marketing. Regularly visits fairs and learns from the internet, and is pro-education, seeking for more seminars and workshops domestically in the areas of fruit and vegetable sector. Mr Njemcevic is interested to attend educations and seminars in this field if they would be organized in BiH. The business uses retail sector as a sales channel. Regular

### 4. Current situation

Business, production and offices are located in the Sarajevo region. Asset used for the purpose of business is in the ownership of the two owners. Organic products among honey, aivar, fresh organic vegetables and fruits are sold to retailers and individuals. The plan is to develop distribution in 2013.

- **Management** – there are two owners in equal partnership and decision are made jointly
- **Investments** – Plan is to invest in resources and production. Eventually in the storage and sales facilities.
- **Market** – the plan for 2013 is to make our product visible in the domestic market, the brand started very well in 2012 and is accepted by our customers. Marketing the products is important in 2013. The goal is to educate and find producers of organic fruits and vegetables, and to expand the product varieties.
- **Economic performance** – as a young firm we are satisfied with the plans in 2012.

- **Success factors** – the success is a combination of several factors, education of the owner, business connections and close connections to partners you are working with.
- **Lesson learnt and recommendations** – Banks should have external experts in agroproduction and regularly conduct research in agroproduction in order to make a credit lines to the producers and processors. So far, they have been put aside and it would be win-win strategy. Organic production is in the rising trend and market demands it more and more, so it is going to be important to help small producers understand this trend and orient them to the organic production. For the purpose of gathering and offering affordable financial resources to entrepreneurs, it is of great effect to have a Diaspora Fund, where we would have one side us producers, borrowing and on the other side capital owners – Diaspora, who would have its share in the profit.

## Case study 6. Okus Prirode Gorazde, Bosnia-Herzegovina

### 1. Basic information about the business

This business has emerged as a consequence of an ended cooperation with Klas Sarajevo. The business had one dunum of a land, planted with strawberries that Klas were buying out for fruit jams and other products. It lasted till the new director came to Klas (app. 2 years).

The situation with the surplus of fruits emerged and no customers to buy it. This has created the opportunity for a family to seriously start its own business – processing organically produced fruits.

EMPLOYEES	ESTABLISHMENT	TYPE OF THE BUSINESS	LOCATION	SOURCE	MARKET	CUSTOMER
AT START: 2	2012	FRUIT HARVESTING & PROCESSING	Rural, Gorazde	From savings	Domestic	INDIVIDUALS
CURRENTLY: 2						

**2. Background information about the business** – the business is located in a rural area of Gorazde, established by one owner and inherited by the son and his wife, has its own fruits and makes jams and other products. The successful story started by visiting the first fruit fair in Gorazde, where the first customers emerged. Since this moment, the quality is recognized and this made a keystone in the success of the business.

**3. Current situation** – Sales is located in the domestic market, mostly Sarajevo region. The market demands more than the current production capacities of the business are and the plan is to expand it.

**Management** – Business is run by the family. In order to expand the business, they attend seminars and fairs organized by Foreign Chamber of BiH, learn about marketing and product presentation. The family works on diversification of the business, building and reconstructing accommodation facility near the house, where the guests are able to have a true rural vacation, visit the land, see the crops, enjoy at the tasty organic meals and be rural tourists. This practice showed to be excellent in the case of their first guests from Italy.

**Investments** – They plan to expand the production, but the main obstacle is infrastructure. Plan in 2013 is to go to fairs in Germany to see how the fairs are performed abroad. Business will expand on rural tourism and the plan is to expand accommodation capacity.

- **Market** – Product packaging is made in the home, though not too sophisticated but originally and the market recognized it and accepts it. The products are well known in Sarajevo region, even more than in Gorazde.
- **Success factors** – Persistence and work are the main factors. We intended to make top quality products and we made it.

5. **Lesson learnt and recommendations** – “It is possible to do everything if you want it. We were unknown Klas’ subcontractor and now we have our customers, who buy our products and send us regular orders. Our customers are famous people from Sarajevo, public figures, and it is a proof to us that we do our job the best we know and that is, make the best quality product. This has led us to the point where we cannot satisfy market demand, and need to invest in our production and we are happy for this”.