

KOSOVO HUMAN DEVELOPMENT REPORT 2014

MIGRATION AS A FORCE FOR DEVELOPMENT

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FOREWORD

Migration and close economic linkages with the Diaspora population are an everyday reality for most people in Kosovo. One out of every four Kosovans currently lives abroad. Financial flows from members of the Diaspora - including migrant remittances and travel expenditures - correspond to one fifth of Kosovo's Gross Domestic Product. This report considers the impact of migration on human development in Kosovo. In addition to the economic impact the report also examines the social impact of remittances (e.g. increased political and civic participation), as well as related changes in behaviour and attitude. The report also explores freedom of mobility and its impact on human development beyond remittances.

The 2009 Global Human Development Report identified numerous ways in which migration promotes and also impedes human development in the migrants' countries of origin. The 2014 Kosovo Human Development Report applies the lessons from the Global Report to the particular circumstances of Kosovo and focusses on how migration and links with the Diaspora affect human development in Kosovo.

Two findings from the report stand out:

First, if we understand human development to be essentially about expanding people's choices to lead high-quality lives, the decision to migrate is itself an important factor in human development. In Kosovo, economic opportunities are limited by geographic location, uneven relationships with neighbouring countries, and a history of institutional development that makes good governance and implementation of effective public policies a persistent challenge. Under these circumstances, opportunities for employment, study or travel abroad for business or leisure afford people in Kosovo a chance to transcend what is otherwise a relatively confined set of choices.

The availability of opportunities for legal employment abroad very much depends, however, on the relationship of Kosovo to its international partners. Visa-free short-term travel to the Schengen Area would make a significant contribution to international mobility, but progress on this front will depend on the pace at which Kosovo can implement the EU visa liberalization roadmap.

Second, the report highlights how linkages with the Kosovo Diaspora contribute in multiple ways to the human development of Kosovo residents. Migrant remittances, labour income from short-term workers abroad, travel expenditures of migrants visiting Kosovo, and other international reserve flows to the economy of Kosovo serve to strengthen demand for domestic goods and services in Kosovo and boost the demand for local workers. While unemployment is indeed very high in Kosovo, it would be even higher, and wages lower, without this extra demand for local goods and services. Furthermore, households that receive remittances are able to escape poverty and spend more on education and health care.

Nevertheless, migration and remittances alone cannot guarantee sustainable economic growth and human development. The design and implementation of effective public policies will be critical for improving the investment climate in Kosovo and for laying the necessary foundation for sustained growth of output and incomes. Ensuring adequate levels of public investment in both the quality of and access to education and health care for all Kosovans will also be a key requirement.

As those living in the Diaspora become more integrated in their host countries, they will need to adopt a more "transnational" way of life if they wish to maintain close links to Kosovo. The report recommends a variety of measures that the authorities of Kosovo can consider to strengthen and to take better advantage of the connections between the Diaspora and Kosovo, including networking activities on areas of common interest for Diaspora members and Kosovo-based groups, establishment of cultural centres abroad, provision of reserved seats for Diaspora representatives in the Kosovo parliament, and financial incentives for contributions by the Diaspora to development projects in Kosovo. In the years to come, these are just some of the actions that could contribute to strengthening long-term and mutually beneficial cooperation between Kosovans living abroad and those who choose to stay.

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ABBREVIATIONS

BEEPS	Business Environment Enterprise Performance Survey
BOP	Balance of Payments
BSCK	Business Support Centre Kosovo
CBK	Central Bank of Kosovo
CEC	Central Elections Committee
COP	Community of Practice
DEED	Diaspora Engagement in Economic Development
EASO	European Asylum Support Office
EDG	Economic Development Group
EU	European Union
EUR	Euro
Eurostat	European Commission Statistics
EYE	Encouraging Young Entrepreneurs
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HBS	Household Budget Survey
HDI	Human Development Index
HDR	Human Development Report
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
K- Albanian	Kosovo Albanians
KAS	Kosovo Agency of Statistics
KFOR	Kosovo Forces
NATO	North Atlantic Treaty Organization
KHDR	Kosovo Human Development Report
K-RAE	Roma, Ashkali and Egyptian
KRHS	Kosovo Remittance Household Survey
KRS	Kosovo Remittance Survey
K-Serbs	Kosovo Serbs
LFS	Labour Force Survey
MLSW	Ministry of Labour and Social Welfare
NGO	Non-Governmental Organization
OR	Odds Ratio
PP	Public Pulse
PRGC	Policy, Research, Gender and Communication
SCO	Swiss Cooperation Office
SDG	Sustainable Development Goals
UK	United Kingdom
UN	United Nations

UNDP	United Nations Development Programme
UNSCR	United Nations Security Council Resolution
US	United States
USD	United States Dollar
WB	World Bank
WDI	World Development Indicators

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EXECUTIVE SUMMARY

Labour migration and economic interaction with the Kosovan Diaspora abroad have a profound impact on the economic opportunities and livelihoods of many individuals in Kosovo. This is not just limited to the household level. Economic interactions with the Kosovan Diaspora are so pervasive that they strongly influence Kosovo's macroeconomic development and, hence, all Kosovans.

In this 2014 Kosovo Human Development Report, we take a close look at how labour migration and interactions with the Diaspora affect human development in Kosovo. While human development has many different dimensions, this report concentrates on opportunities for productive employment (whether in Kosovo or abroad), material wellbeing and poverty reduction. Focus is also placed on access to education and healthcare (through higher income or access to services abroad), the circumstances of women migrants and women-headed households, and the impact of international mobility on social involvement and political participation. On this basis, we draw out the implications for policy interventions that seek to promote human development and especially to engage the Diaspora in Kosovo's future.

This report is inspired by UNDP's 2009 Global Human Development Report on migration and human development and draws on the findings of that report to better understand the possible linkages between migration, remittances, the Diaspora, and human development. At the Kosovo level, the analysis is based on existing empirical studies, Kosovo-level economic and population statistics, and primary data from several household and opinion surveys. After a short overview on "how does migration contribute to human development?" (**Chapter 1**), we begin our report by assessing the demographic aspects of emigration from Kosovo and the size of the Diaspora (**Chapter 2**). Initially young workers, mostly men, sought better employment opportunities abroad. From 1989, the worsening political climate and growing unemployment among Kosovo-Albanians caused a large exodus, with many migrants settling in Switzerland and Germany.

During the 1998/ 1999 conflict, many individuals sought refuge in neighbouring countries and across Western Europe; a large share of these refugees returned to Kosovo after conditions stabilized. Since 2000, there has been a steady outflow of migrants in response to high unemployment and the lack of economic opportunities in Kosovo. At the most general level, labour migration affects human development in two ways.

First, having the option of seeking employment abroad expands the choices open to Kosovan workers, with choice being a major contributor to human development. In recent years, approximately 36,000 individuals entered the labour market annually while about 10,000 retired; at the same time, approximately 13,000 individuals left Kosovo to work, study, or just live abroad. In opinion surveys, approximately half the respondents between 18 and 36 years (and more than one third of all respondents) typically say they plan to migrate. These figures demonstrate the great importance of international mobility for Kosovans' life choices.

Secondly, the outflow of migrants has resulted in a Diaspora that interacts with households in Kosovo in various ways that may promote human development. These include, but are not limited to, remittances, travel expenditures in Kosovo, and investment in real estate and in businesses (we discuss these in detail in Chapter 3). Economic interactions are reflected in Kosovo's balance of payments and their volume is therefore known in principle. However, estimates of the size of the Diaspora vary widely.

A lower boundary estimate is available from the 2011 Kosovo Census that asks about any former household members that now live abroad. The Census finds that approximately 380,000 people are "actively remembered" by their former households which, it is perhaps safe to conclude, means that most of them are still involved with Kosovan households and with the Kosovo economy.

For our upper boundary estimates, we compare Kosovo's actual resident population according to the 2011 Census (just under 1.8 million, after adjusting for undercounting in the Northern municipalities) to its hypothetical population under the assumption that all individuals born since the 1981 census still live in Kosovo (2.65 million, taking into account cumulative births and deaths).

The difference (approximately 874,000) constitutes our rough upper boundary estimate of net emigration and the size of the Diaspora outside Kosovo: approximately 579,000 Kosovo-Albanians, 175,000 Kosovo-Serbs, and 120,000 individuals of other ethnicities. This upper estimate is subject to several uncertainties. In particular, since there were probably more births than deaths among emigrants from Kosovo, the Diaspora including the second generation will be larger than our estimate.

We draw two conclusions from these widely differing estimates:

First, even if we take the lower estimate, the Kosovo Diaspora is large by any reasonable standard, with approximately one emigrant for every five Kosovo residents. There is clearly room for an active Diaspora policy to involve Kosovo emigrants abroad in promoting human development in Kosovo.

Second, the notion of being a member of the Kosovo Diaspora has many different facets and needs to be carefully thought through depending on the policy intervention in question. For example, some emigrants may be citizens of their host countries, but may be happy to support charitable projects in Kosovo, have their children learn Albanian, and maintain cultural practices. Therefore, some Diaspora policies may be relevant to them.

Following our assessment of the size of the Diaspora, we review the economic interactions of Diaspora members with the Kosovo economy at the aggregate (Kosovo-wide) level and place Diaspora-related international reserve inflows in the context of Kosovo's macroeconomic development (**Chapter 3**). Short-term migrants and Diaspora members not only transfer labour income and remittances to Kosovo (approximately 15 percent of Gross Domestic Product). They also visit Kosovo regularly and spend a considerable amount of money during visits, especially on domestic services (around 6 percent of GDP). Furthermore, Diaspora members play an important role in facilitating foreign investment in Kosovo and many invest in real estate, strengthening demand for construction services.

While some Diaspora members and households with migrants also invest in Kosovo businesses, we find that the investment climate in Kosovo overall leaves much to be desired. As a result, many potential investors are unable to implement their projects safely and effectively and some investment plans are not realized. Existing policies to support busi-

ness investment at the central and local levels are hampered by limited resources.

These reserve inflows have been remarkably resilient in the face of the recent financial crisis, suffering only a mild reduction in 2009 after which a quick and full recovery took place.

Furthermore, no evidence has been found to suggest that remittances decline as emigrants become more fully integrated in their host countries and links with Kosovo weaken. While this is a plausible concern, the close links of current emigrants to their extended families in Kosovo seem also to combine with a steady outflow of new migrants (potential remitters) to generate a broadly stable inflow of international reserves. The macroeconomic effects of these large international reserve inflows affect human development in several ways.

Firstly, Kosovans collectively can consume and invest more than they produce domestically (technically speaking, domestic absorption is higher than Gross Domestic Product). In a relatively poor, post-conflict territory, higher private and government consumption serve to enhance individual well-being and the choices people have, in other words higher consumption enhances human development. Secondly, the increase in demand for domestic goods and services has no doubt contributed to the doubling of the headline average monthly wage in Kosovo to just under €400 over the last ten years. All workers in Kosovo benefit from higher wages and the consequent opportunities for human development, whether or not their households individually receive migrant remittances.

The flip side of this is a possible decline in the competitiveness of the labour market. However, the wage level in Kosovo is still comparatively low in relation to neighbouring countries; what is really needed to improve competitiveness is improved provision of other factors of production such as public physical and social infrastructure. From macroeconomic effects, we turn to household level effects of foreign income and migrant remittances (**Chapter 4**). We use household survey data to assess the incidence of remittances and their impact on absolute poverty, expenditure on education and health care, and business investment. The incidence and value of remittances vary by area of residence and by ethnicity. Although rural and urban households have more or less equal probability of having a family member abroad, rural households are slightly more likely to receive remittances and they receive, on average, a larger amount.

Compared to other ethnicities, Kosovo-Albanian households are considerably more likely to have a migrant abroad, and are more likely to receive remittances. K-Serb households are the least likely both to have a migrant (including in Serbia) and to receive remittances, after controlling for migration incidence; however, they enjoy the highest average amount of remittances. K-Other households (including K-Roma/ Ashkali/ Egyptians) stand between K-Albanians and K-Serbs in terms of the incidence of migration and remittances; K-Roma/ Ashkali/ Egyptians receive lower remittances than all other groups.

Remittance receipts are, on average, associated with a lower probability of a household living in (absolute) poverty, and with a higher level of consumption. Remittance recipient households are also more likely to own particular consumer durables. Finally, controlling for relevant household characteristics (including regular income), remittances are found to have a positive effect on expenditure on health and education, as well as on the probability that a household invests in business activities.

Migration poses special opportunities and challenges for migrant women and for vulnerable individuals left behind in Kosovo, including women as well as elderly people (**Chapter 5**). Migrant women indicate that they have left Kosovo mostly for marriage and family-related reasons, although employment has become a more important motivation in recent years. Female migrants fare better in the labour market than women in Kosovo. Further, more women than men improved their education status while abroad, thus experiencing human capital development. Since more women than men hold permanent status in the host countries, their potential to benefit from education, employment and social schemes is also greater. Most female migrants speak at least one foreign language which contributes to greater integration. One new finding in this research is that female migrants play a much smaller role as remitters than men, which is not sufficiently explained by their lower employment ratio. Traditional gender roles and affiliations have been highlighted as one potential explanation for this.

Turning to potentially vulnerable groups in Kosovo, women-headed households are especially likely to have someone living abroad; furthermore, those that have a migrant abroad are somewhat more likely than similar male-headed households to receive

remittances (73 percent vs. 68 percent according to a 2011 survey). Remittances, if received, add on average €150 to the monthly budget of women-headed households vs. €124 for male-headed households. While spending patterns do not differ that much, male headed households spend more on durables and a little less on housing and human investments than female headed households. Interestingly, women spend twice as much as men on business investments.

We also conducted two focus group discussions to investigate important issues that are not reflected well in available quantitative data. The first focus group discussed the impact of social remittances on women whose migrant husbands are abroad – i.e. values, ideas, behaviours, and practices that may be experienced by migrants in their host country and related back to their families in the country of origin. Overall, focus group participants felt that migration had greatly contributed to the economic wellbeing of families left behind. While burdening women with additional familial responsibilities, migration had at the same time enhanced their confidence and decision-making power. One negative consequence of migration may be less independence for daughters because mothers and grandparents tend to feel more responsible for them and tend to become over-protective. Our second focus group dealt with migration-induced changes in how households care for their elderly and infirm members. In Kosovo, there are not many institutions that care for the elderly and infirm and it would be considered socially inappropriate for a family not to take care of their relatives in that situation. As families are typically large, family members tend to negotiate who will stay at home to provide care and who will migrate. The remittances are focused on the elderly individual in the household, helping to cover the cost of living and especially any payments for health care. At the same time, the remittances bring benefit to all household members including, for example, young care-givers who are then able to continue their education.

Access to education has long been identified as a key aspect of human capital formation and human development (**Chapter 6**). While higher disposable income due to remittances means that households can invest more in their human capital formation (Chapter 4), the relationship between migration and educational attainment is more complex. Having a migrant in the family gives access to a network that

may enable young family members of working age to obtain a job abroad for which a higher education level is not necessary. As a result, education may become less attractive. Our survey data suggests that young people aged 16 – 25 years old are less likely to pursue a higher education if they are in a household that receives remittances. However, regression analysis shows that remittances are no longer associated with the educational attendance of 16 - 25 year olds when other determinants are properly considered. Instead, the number of household members, their average age, and the average educational level of all adult family members were more powerful in predicting education attendance.

Since opportunities for university education in Kosovo are limited in terms of subjects and quality, some migrants indicate that further study is the primary purpose of their stay abroad (approximately 2 percent of migrants according to some surveys). Evidence suggests that a significant proportion of migrants have attained a higher level of education than they had at the time of their departure. Thus, study abroad is an additional channel through which international mobility promotes human capital formation in Kosovo.

Similarly, many individuals who require health care, especially for certain serious illnesses, obtain it outside Kosovo (**Chapter 7**). Kosovo-Serbs are particularly likely to do so, presumably because for them access to the main hospital in Kosovo (University Clinical Centre Prishtina/Priština) is particularly difficult or costly. Individuals in households that receive remittances report higher health expenditures. Finally, in the spirit of the social remittances literature, we investigate how short or long term international mobility, having a migrant in one's household or receiving remittances affect individuals' political and social involvement in Kosovo (**Chapter 8**). Remarkably, we find a significant positive correlation only for short-term mobility. Individuals with previous travel experience abroad are more likely to participate in local community projects, public debates, to be members of political parties or to be involved in NGOs. While causality may run both ways (i.e. more socially and politically active individuals might also simply travel more), it seems safe to conclude that among Kosovo residents, international travel experience and social and political engagement are mutually reinforcing.

We take a close look at how the Kosovan Diaspora is organized in order to better understand how it could be motivated to contribute more actively to human development within Kosovo. During the conflict years, members of the Diaspora mounted well-organized financial and logistical support for those who struggled to survive in Kosovo. However, the cohesion of the Diaspora has now lessened. What may be perceived as factionalism within Kosovo politics appears to put off some Diaspora members who are now familiar with the political cultures of Western Europe. Also, naturally, many Diaspora members are establishing a firmer foothold socially and economically in their host countries. Many prominent politicians and members of the Kosovo government have spent extended periods of time in Western Europe with its more transparent and participatory political culture, but they have transferred little of that to Kosovo.

In drawing together the policy recommendation of this report (**Chapter 9**), we emphasize that migration and remittances, in and of themselves, will not lead to sustainable economic growth and human development in the medium to long run. Good governance and effective public policies are crucial to improve the investment climate in Kosovo and lay the foundation for sustained growth of output and incomes. Remittances cannot be relied upon to provide for all individuals in need. Targeted social assistance is needed to ensure that vulnerable individuals do not fall into poverty; education and health care need to be provided and financed in ways that make them accessible to all. Given this broader context, Kosovo authorities may usefully implement measures that would make it easier for members of the Diaspora to maintain links with Kosovo even while they become fully integrated in their host countries. Cultural centres abroad, networking events for prominent Diaspora members and Kosovo representatives, and the planned National Council of K-Albanian Diaspora all promise to strengthen Diaspora identification. To ensure wide involvement Diaspora members should participate in key roles to implement these activities. The Kosovo authorities' National Strategy for Diaspora 2013-2018 establishes a useful framework to develop these policies further. Furthermore, to convey a sense of appreciation for the Diaspora's contribution to Kosovo's economic and social development, a small number of reserved seats in the Kosovo-wide parliament should be allocated to the Diaspora similar to the system for ethnic minorities.

Regarding Diaspora voting rights at the local level, a comprehensive analysis would be required to assess whether Diaspora members are sufficiently well-informed on development trends in their communities to justify their participation in local elections.

We find scope for extending exchange programmes for university as well as vocational students. This could involve summer internships in Kosovo for Diaspora and Kosovo students at universities abroad; periods of study abroad (Erasmus style); or long-term scholarships for study abroad if recipients commit to working for Kosovo authorities after their studies.

The incentive for Diaspora contributions to social and economic development projects in Kosovo (collective remittances) could be strengthened if donors could provide matching funds or other support. Involvement by Diaspora experts in Kosovo in areas like teaching, research, technological or business consulting should be encouraged. It is most likely that Diaspora members would establish effective and lasting working relationships.* While business investment by Diaspora members and households with migrants depends first and foremost on the overall investment climate, more resources for central and local-level investment promotion and support would render these existing policies more effective.

Finally, labour migration and mobility in Europe would greatly help human development in Kosovo. Potential host countries should consider creating additional opportunities for labour migrants from Kosovo while Kosovo authorities should as a priority implement the roadmap set by the EU for visa liberalization within the Schengen Area which would in turn facilitate international mobility for study, work, medical treatment, and leisure.

*In this context, it is worth mentioning that the ongoing DEED Project 2 (2012 to 2014; <http://deed-ks.org>) by IOM and UNDP in close consultations with the main stakeholder, the Ministry of Diaspora of Kosovo, aims to maximize the potential contribution of migrants and Diaspora members to Kosovo's economic and social development.

CHAPTER 1



1. INTRODUCTION: HOW DOES MIGRATION CONTRIBUTE TO HUMAN DEVELOPMENT?

While human development is about expanding people's choices to reach their full potential and lead high-quality lives, human mobility is about expanding people's freedom to pursue a life plan, achieve goals and choose with autonomy.¹

The current scale of international migration (or human mobility) in the world is striking with migrants accounting for approximately 3 percent of the world's population² or 232 million people.³ As noted by the United Nations Secretary General Ban Ki-Moon: *"The face of migration is changing. Today, migrants are coming from, and going to, more places than ever before. Almost half of migrants are women. One of every ten migrants is under the age of (15) fifteen. And (4) four of every (10) ten migrants are living in developing countries."*⁴

International discourse on development and mobility recognizes that migration can improve living standards and welfare whilst also introducing new vulnerabilities and costs for migrants, their families and sending communities.⁵ *"In policy circles there is increasing consensus that for migration (mobility) to become an effective tool for development it is necessary to design the right complementary policies and programmes, including those relating to social protection in the countries of origin. In a [...] statement, the UN Secretary General described international migration as a positive force for development if buttressed by the right policies"*.⁶

A High-level Dialogue on International Migration and Development held in 2013, produced an eight point action oriented agenda and a target for *"a co-operative international migration system that is less costly and more productive for all stakeholders and that conforms to the rule of law and international human rights norms"*.⁷

The Dialogue called on the international community to: i) improve protection of human rights for all migrants; ii) lower the costs of migration; iii) end the exploitation of migrants including human trafficking; iv) address the plight of stranded migrants; v) improve public perceptions of migrants; vi) integrate migration into the post 2015 development

agenda in the framework of a new set of goals for sustainable development and viii) strengthen the migration evidence base, and enhance migration partnerships and cooperation.⁸

The post-2015 process however remains fluid and migration-related targets remain a work in progress.

1.1 HUMAN DEVELOPMENT, MOBILITY AND KOSOVO

More than a decade after the conflict, Kosovo has reached a critical juncture where the desire for a stable and more prosperous future, in which far-reaching development aspirations are realised, juxtaposes with the corrosive impact of decades of neglect, mismanagement, and discrimination.

In the aftermath of the 1999 conflict, Kosovo has enjoyed an economic recovery. The growth rate of Gross Domestic Product peaked at 5.4 percent in 2008 and is on the rise again (currently at 4.3 percent), following the 2009 global economic crisis. Kosovo's Human Development Index also enjoyed a year on year increase from 2007 to 2012 mostly because of higher GDP⁹ and higher life expectancy due to improvements in the health sector.¹⁰ However, labour market conditions remain difficult with a headline unemployment rate at 28.1 percent for men and 40.0 percent for women.¹¹

Throughout its history Kosovo has experienced migration with profound implications on its development. With approximately one third of people born in Kosovo thought to be currently residing outside its territory there is an urgent need for Kosovo authorities to participate proactively in the international debate on migration and to develop complementary policies and programmes on migration and on the sustainable human development of Kosovo and its citizens.

The Ministry of Diaspora has already committed itself to use the recommendations of this report in the development of an Action Plan to implement the approved Strategy on Diaspora and Migration 2013-2018.¹² In addition, central and local Government bodies have welcomed this report due especially to the fact that Kosovo citizens, alone out of all other Balkan populations, still do not enjoy visa-free travel within Europe, as requirements reflected in the Roadmap¹³ have not as yet been fulfilled.

This report addresses the issue of how migration can be managed as a force for development in Kosovo through an analysis of mobility/migration and human development including: demography, economy, gender and social inclusion, education, health (-care) and public participation.

The report draws on the findings of the UNDP Human Development Report 2009 *‘Overcoming barriers: Human mobility and development’*.¹⁴ Main data sources include: the Kosovo Remittance Survey 2011 and 2013,¹⁵ the World Bank Migration and Economic Development Report 2011,¹⁶ the UNDP Public Pulse Survey data¹⁷ and the Kosovo Census conducted in 2011.¹⁸

Lack of reliable data on migration is a significant challenge and one immediate recommendation is for further research on educational attainment and especially the professional/occupational profiles of emigrants in order to assess the potential of knowledge and skill transfer. Additional and on-going research is also needed on the impact of remittances on human development and recipients’ willingness to work. A third area of further research is recommended to better understand reasons for limited investment by the Kosovan Diaspora and to study potential sectors where they might want to invest in the future.

Despite the need for evidence-based policy making and research, the impact of remittances on sustainable economic and human development in Kosovo and the impact of migration on the transfer of skills and knowledge by the Kosovan Diaspora to their place of origin are noted to be important.

1.2 OUTLINE OF THE 2014 KOSOVO HUMAN DEVELOPMENT REPORT

Migration and remittances have an impact on human development because once individuals move abroad they expand their life options and by implication, their level of human development. In addition, migrants abroad interact with their family and friends at home in ways that support their human development, including the sending of remittances.

To understand the orders of magnitude involved, we begin this report by reviewing the history of emigration from Kosovo and by providing an estimate of the size of the Diaspora. In this context, we also

look at current migration flows and migration intentions among current residents (**Chapter 2**).

We also analyse the macroeconomic effect of the sheer number of Kosovans living abroad and the level of remittances received (**Chapter 3**) and assess how higher demand for domestically produced goods and services has affected unemployment and wages over the last decade with a focus on the possible occurrence of *‘Dutch disease’*.¹⁹

Next we analyse how higher remittances have affected material well-being, poverty, and spending on education and health care at the household level (**Chapter 4**).

We take into account the situation of female migrants and female-headed households both at home and abroad, and we consider the elderly left behind as one potential vulnerable group (**Chapter 5**).

We also look at how remittances affect education attendance and access to health care at the household level (**Chapters 6 and 7**).

In **Chapter 8** we examine the role of international mobility in promoting social and political engagement and review Diaspora activities that have taken place to date while in **Chapter 9** we present possible policy interventions that could enhance the beneficial effects of migration and remittances on human development in Kosovo and we consider measures to involve the Diaspora more effectively.

CHAPTER 2



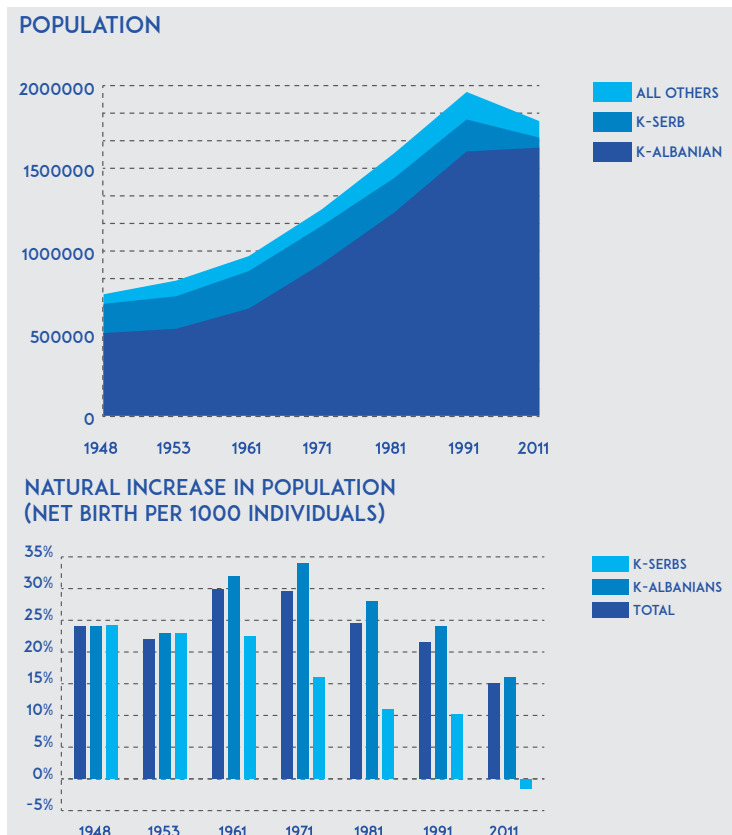
2. EVOLVING PATTERNS OF DEMOGRAPHY, MIGRATION, AND THE KOSOVAN DIASPORA TODAY

In addition to directly improving welfare in Kosovo, migration also has an impact on human development not only through the sending of remittances but also through Diaspora expenditure when visiting Kosovo, Diaspora investment in Kosovo, transfer of skills, participation in social and political affairs, and support for the mobility of Kosovo residents for education, health care, and employment. The level of impact depends on several factors including the socio-economic characteristics of migrants, their level of integration in the host country, and their closeness to family members at home. In this Chapter, we analyze the patterns of demography and migration in Kosovo and how migration can shape the life choices of Kosovans. We also take a look at returnees and their potential contribution to human development in Kosovo.

2.1 DEMOGRAPHY, WAVES OF MIGRATION, AND THE DIASPORA

Emigration is better understood within the broader context of Kosovo's rapid population growth since the Second World War and the long-term shifts in the relative numbers of ethnic K-Albanians and K-Serbs as depicted in Figure 2.1. Although a census was conducted in Kosovo approximately once every ten years up to 1991, the reliability of some of the data is questionable and no consistent information is available on migration flows. Given these challenges and as can be seen in Box 2.1, the Kosovo Agency for Statistics (KAS) has used its own methodology to estimate a Diaspora size of just over 700,000 people. As can be seen in Box 2.1, we have calculated both an upper boundary estimate (approximately 579,000 Kosovo-Albanians, 175,000 Kosovo-Serbs, and 120,000 individuals with other ethnicities) and a lower boundary estimate (approximately 380,000 people) for the size of the Kosovan Diaspora although a more reasonable estimate is thought to be in the region of 700,000 individuals which is similar to that estimated by the KAS. As can be seen in Figure 2.2,²⁰ the majority of migrants documented in the 2011 Census had been abroad since 1980. Figure 2.2 (and other data sources) also allows us to identify four distinct phases of emigration from Kosovo including:²¹

FIGURE 2.1: DEMOGRAPHIC TRENDS, KOSOVO, 1948-2011



Source: KAS (2012, p. 16) Population and Housing Census 2011, Final Results. People on the Move. Prishtina/Prishtina: KAS

- Pre 1989: Unskilled young men with little education from rural Kosovo emigrated to Germany and Switzerland as guest workers mainly in the 1960s. During this wave those who emigrated sent home money which was used for the most part to invest in houses.²² The flow of migration decreased briefly in the 1970s when new jobs were created in the public sector and socially-owned enterprises in Kosovo. At that stage Kosovo gained autonomous political status within the former Yugoslavia and the overall political and economic position of K-Albanians improved.
- 1989 - 1997: Kosovo's autonomy was abolished and roughly more than 150,000 Albanian workers were dismissed from the public service and socially-owned enterprises.²³ Skilled and educated young men from both rural and urban areas migrated to Western European countries to find jobs and to escape from the Yugoslav military service. Migration was seen as a means to escape poverty and improve the quality of life for family members left behind through remittances.²⁴

BOX 2.1. ESTIMATION OF THE SIZE OF DIASPORA – KOSOVO AGENCY OF STATISTICS APPROACH

Based on Census data from April 2011 the population of Kosovo was 1,780,645. KAS estimates that by April 2011 approximately 450,000 to 550,000 Kosovans had emigrated (all ethnicities). Based on the rate of population growth and traditional patterns of Kosovan families, KAS has also calculated three estimates for the number of children born outside of Kosovo among the emigrant community during the period of 1969-2011:

- High estimation – 172,520 children.
- Medium estimation - 153,978 children.
- Low estimation - 112,625 children.

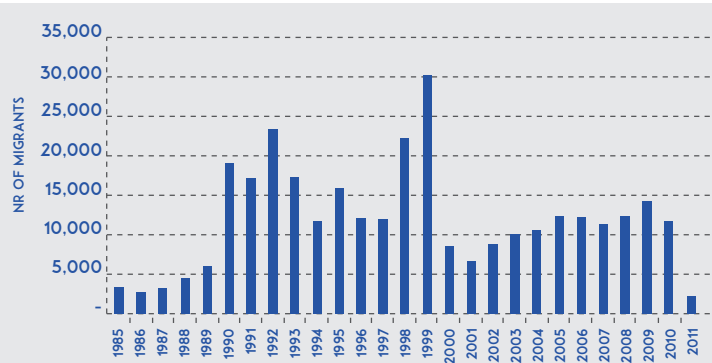
KAS considers the medium estimate as representative of the actual situation which gives a total estimate of 703,978 for the Kosovo Diaspora (1969 until April 2011).

- 1998-1999: More than 800,000 people flee as refugees, mostly to Albania, Western Europe or the United States of America.²⁵ In the aftermath of the conflict (June 1999), Kosovo experienced a rapid return of the displaced population.
- Post 1999: As political stability was established in Kosovo, the immigration policies of Western European countries became less favourable for Kosovans. In this period, the emigration wave mainly consists of: 1) migration for family reunification purposes; 2) irregular migration of unskilled and undereducated youth and 3) (temporary) legal migration of highly skilled and highly educated individuals through study or work arrangements.

As can be seen in Table 2.1, based on the Economic Development Group Survey conducted in 2009, more than 80 percent of emigrants who left Kosovo before 1989 had completed primary and secondary education (World Bank, 2009 gives an even higher figure of 90 percent). The share of emigrants with higher education increased significantly, from 18 percent (1989-1997) to 30 percent (1997-1998). The dominance of secondary education among migrants was also reported in the Kosovo Remittance Survey of 2012 however the KRS did not collect this information prior to migration and is therefore not directly comparable with the 2009 EDG survey. Further and more detailed information in relation to education and migration is presented in Chapter 6.

2.1.1 SOCIOECONOMIC CHARACTERISTICS: EDUCATIONAL PROFILE, AGE, GENDER AND PLACE OF ORIGIN

FIGURE 2.2: FLOW OF MIGRANTS, 1980-2010



Source: KAS (2012, p. 16) Population and Housing Census 2011, Final Results. People on the Move. Prishtina/Prishtina: KAS

TABLE 2.1: EMIGRANTS EDUCATIONAL LEVEL ACROSS EMIGRATION WAVES

Emigration waves	Education before migration (in percentage)			
	Did not complete primary	Primary education	Secondary education	University education
Pre 1989	0.0	2.7	79.5	17.8
1989-1997	2.6	3.2	64.0	30.2
1998-1999	0.0	3.0	58.2	38.8
Post 1999	0.4	0.4	64.3	35.0
Total	1.3	2.1	65.1	31.5

Source: EDG Migration survey (2009)

The average age at the time of migration has remained at around 25 years old (Table 2.2), with men emigrating at a later age (26 years) compared to women (22 years).

TABLE 2.2: AVERAGE AGE OF EMIGRANT AT THE TIME OF MIGRATION AND CURRENT TIME, BY GENDER

Migration waves	Average age of emigrant at the time of migration		Actual average age of emigrant	
	Men	Women	Men	Women
Pre 1989	25	20	52	45
1989-1997	26	20	41	35
1998-1999	27	25	37	36
Post 1999	26	24	33	29
Overall average age of migrants	26	22	41	36
	25		38	

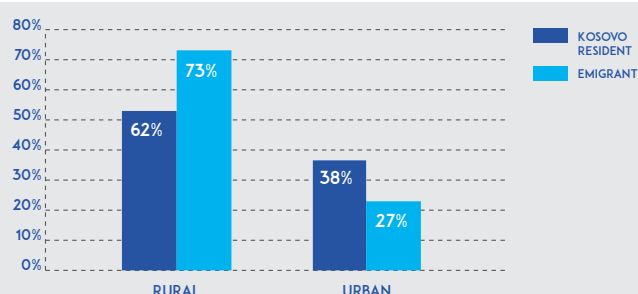
Source: EDG Migration survey (2009)

Recent surveys suggest that migration remains more attractive to younger individuals who have more time to realise the benefits.²⁶

Similar findings can be seen in the KRS 2013 data which shows that emigrant household heads are 11.9 years younger than household heads in Kosovo (an average age of 41 years compared to 52.9 years). There is clear evidence that strong family ties drive migration abroad. Many men who migrate from Kosovo marry Kosovan women and for younger women in particular, migration is mainly driven by marriage.

Recent KRS 2013 data shows a somewhat misbalanced gender structure amongst the Diaspora with 57 percent of emigrants being men and 43.3 percent women; while in Kosovo the gender structure among residents is 50.3 percent men and 49.7 percent for women.²⁷ This is further discussed in Chapter 5.

FIGURE 2.3: SHARE OF RURAL AND URBAN POPULATION: KOSOVO RESIDENTS VS. EMIGRANT POPULATION (IN %)



Source: KRS (2013)

As can be seen in Figure 2.3, over 60% of the population in Kosovo are rural dwellers while the share of those from rural areas among the emigrant population exceeds 70% of the total.

2.1.2 BRAIN DRAIN VS. BRAIN GAIN

An important aspect of migration concerning its contribution to the home country is the question of skilling or deskilling. Although we do not have data on the jobs that migrants held before they left (usually used as a proxy for skilled labour), we can investigate this issue by comparing the level of education of migrants before migration and their current occupation. Results from the EDG survey as discussed above, show far more pronounced evidence of a skilling, rather than a deskilling process among the Kosovan Diaspora. In terms of Kosovo's human capital, the type of migration that Kosovo has experienced so far cannot be considered a brain drain. However, given the higher rates of youth unemployment (aged 15–24) in Kosovo compared to the rest of the working age population, a brain drain could become a bigger concern in the future when unemployed youth might be inclined to leave the country.²⁸

2.2 CURRENT MIGRATION FLOWS

This section relies on current demographic patterns, as well as inflow and outflow figures, to forecast future emigration flows and their consequences for the labour market and other areas.

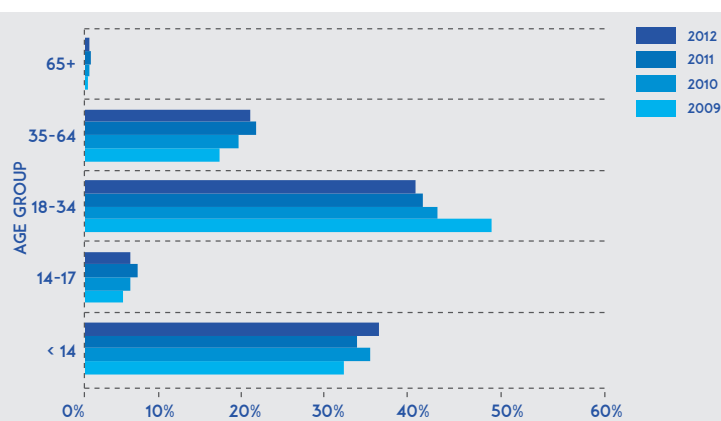
Recent studies suggest that the rate of migration has risen of late. According to the Kosovo Remittance Survey 2012, 43 percent of Kosovo citizens have family members who live abroad. This is an increase from 2011 when 37 percent of families interviewed for the KRS reported the same. In 2012, 22.4 percent of Kosovo families reported that they received remittances from their family members. Based on the 2011 Census data Kosovo has the youngest population in Europe with an average age of 29.5 years (in 2010, the average age in the European Union (EU) in 2010 was 40.9 years). This implies that the trend in migration from Kosovo may well continue for some time to come.²⁹ While we do not have exact figures recent estimates suggest that the number of emigrants per year is approximately 12,000 to 13,000.³⁰

2.2.1 ASYLUM SEEKERS

As can be seen in Table 2.3, there was a slight decrease in the numbers of Kosovans seeking asylum in EU countries between the years 2009 and 2012.³¹ During the first half of 2013 however, Eurostat reported a four-fold increase in Kosovan asylum seekers as compared to the same period in 2012.

Out of this number just 4 percent of the 2460 applications were successful. The vast majority of asylum applicants were aged between 18 and 34 years (Figure 2.4).³³ The high rate of unemployment (73 percent) among Kosovan youth aged 15 to 24 years is most likely the reason for the high numbers of young people seeking asylum in the EU.³⁴

FIGURE 2.4: SHARE OF ASYLUM SEEKERS BY AGE GROUP, 2009-2012



Source: Eurostat³²

The European Asylum Support Office reports that 20 percent of asylum seekers from Kosovo are Roma, Ashkali and Egyptians, 10 percent ethnic Serbs and 70 percent ethnic Albanians.³⁵

This information includes only those who have applied and hence registered for asylum in the EU suggesting that the total number could be higher. The majority of Kosovan asylum applicants are in France, Germany and Belgium (Table 2.3).

K-Albanians comprise the majority of applicants in Belgium and France, whereas in Germany and Switzerland, the majority of applicants are Roma, Ashkali or/and Egyptians.³⁶ Luxembourg and Switzerland, received the majority of K-Serb applications most of whom were from Mitrovica and Gjilan/Gnjilane. Out of the total number, 59 percent are men and only 41 percent are women. The numbers of female asylum seekers is low which is explained by the fact that K-Albanian men tend to secure asylum, regulate their permit stay and then make efforts to bring their families over to the host country.

2.2.2 MIGRATION MOTIVES

Since the recent declaration of independence in 2008, migration from Kosovo has been driven by economic reasons (37.9 percent) and to an even greater extent for purposes of family reunification (48.8 percent) (Figure 2.5). Similarly, Eurostat data (Figure 2.6) suggests that the education of children, and hopes for a better and safer future also influence the decision to leave.

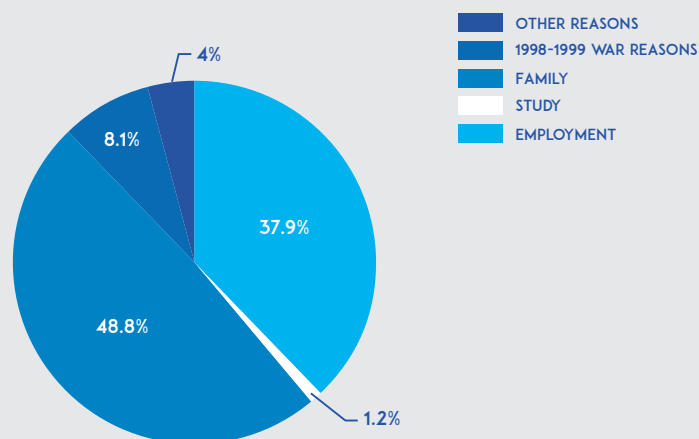
As indicated in the Table 2.4 a large number of citizens continue to consider migration as the best solution to their poor economic conditions. In 2012 86% of those who were planning to migrate were doing so for economic purposes. This is a significant increase from 2011 when just 70% of respondents cited economic reasons indicative perhaps of the poor economic performance of the country. Figure 2.7 provides a compilation of data on plans to migrate including employment status, dwelling place and so on. The highest share of those who plan to migrate are from Gjilan/ Gnjilane (28%) and Gjakova/ Đakovica (19.6%) regions respectively.

TABLE 2.3: KOSOVAN ASYLUM SEEKERS IN EU AND SCHENGEN ZONES, 2009-2012

Country	2009		2010		2011		2012		Total	Percent share by country
	N	%	N	%	N	%	N	%	n	
France	4,585	27.3	5,285	31.4	3,240	19.3	3,715	22.1	16,825	33.3
Belgium	2,505	25.6	3,225	32.9	2,325	23.7	1,745	17.8	9,800	19.4
Germany	1,910	22.4	2,200	25.8	1,890	22.1	2,535	29.7	8,535	16.9
Sweden	1,225	23.1	1,715	32.4	1,315	24.8	1,045	19.7	5,300	10.5
Hungary	1,795	68.9	380	14.6	210	8.1	220	8.4	2,605	5.2
Austria	1,295	50.5	605	23.6	350	13.6	315	12.3	2,565	5.1
Switzerland	690	50.9	-	-	665	49.1	-	-	1,355	2.7
Italy	295	36.2	300	36.8	110	13.5	110	13.5	815	1.6
Luxembourg	140	20.9	170	25.4	150	22.4	210	31.3	670	1.3
Norway	-	-	240	45.3	155	29.2	135	25.5	530	1.1
Other	485	33.3	380	26.1	285	19.6	305	21.0	1,455	2.9
Total	14,925	29.6	14,500	28.7	10,695	21.2	10,335	20.5	50,455	100.0

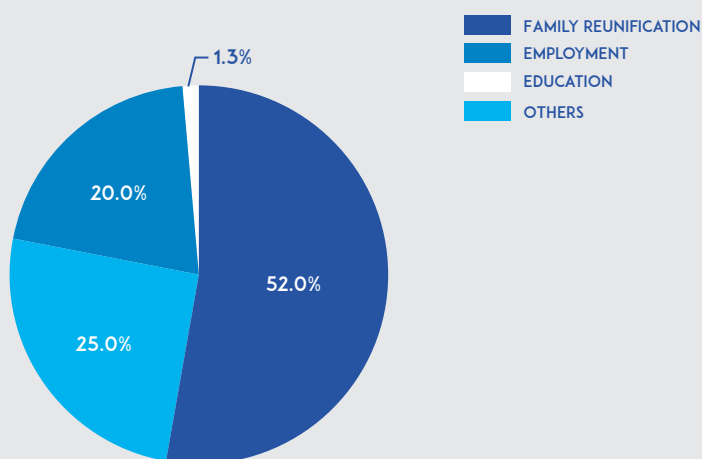
Source: Eurostat (2012)

FIGURE 2.5: MAIN REASONS FOR MIGRATION (IN %)



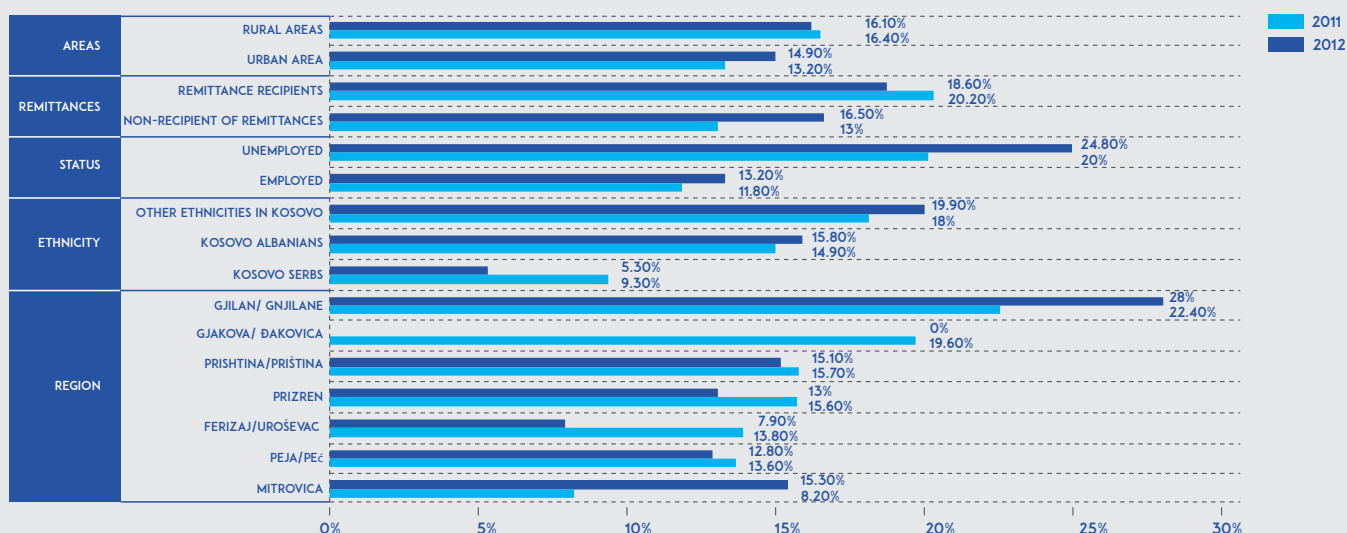
Source: Kosovo Census 2011 (REKOS 2011)

FIGURE 2.6: EMIGRATION MOTIVES OF KOSOVAN ASYLUM SEEKERS IN EU MEMBER STATES, 2008-2012



Source: Eurostat (2012)

FIGURE 2.7: SHARE OF RESPONDENTS WITH MIGRATION PLANS BY ETHNICITY, EMPLOYMENT STATUS, PLACE OF RESIDENCE, REGION AND REMITTANCES RECEIPT IN 2012 AND 2011 (IN %)



Source: KRS (2011 and 2012), UNDP Survey Data

TABLE 2.4: PLANS AND REASONS FOR MIGRATION, (IN %)

Year	Households with migration plans (percent)	Economic reasons	Family reunification	Schooling
KRS 2011	15%	70%	10%	2%
KRS 2012	16%	86%	3%	2%

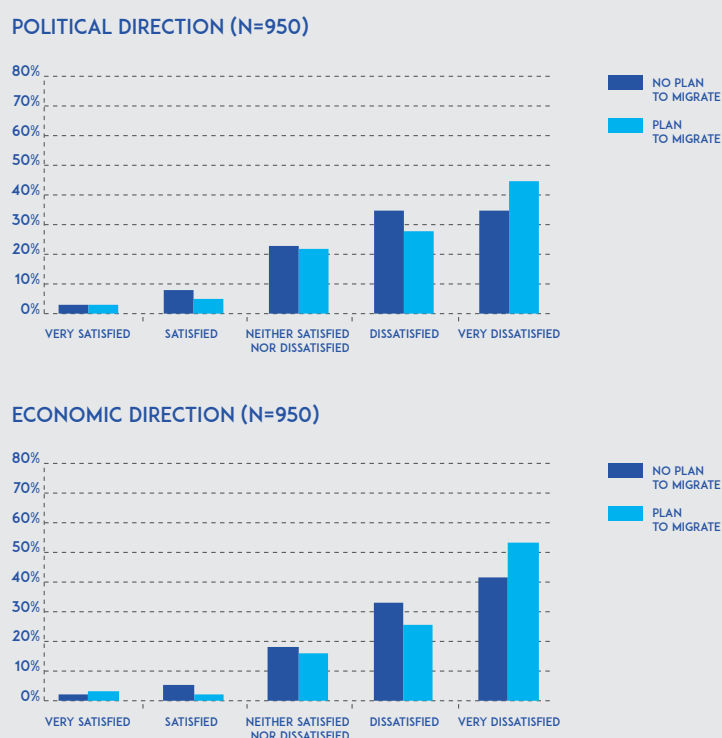
Source: UNDP - KRS (2011, 2012)

2.2.3 MIGRATION INTENTIONS

Our review of the history of migration from Kosovo (Section 2.1) and our analysis of current migration flows (Section 2.2) have identified “push” as well as “pull” factors as important drivers of migration. While this distinction may be more intuitive than analytically rigorous, it is clear that political and socio-economic events in the 1990s “pushed” many to leave Kosovo. Analysis of data from the Kosovo Public Pulse (October 2012) finds that the intention to migrate does not vary much across education levels, although it is a little higher for those with advanced tertiary education (older than 17 years). More women than men in the over 17 years old age bracket indicated an intention to migrate. Divorced women reported a higher intention to migrate than other demographical groups. In addition, women with either a basic or less than basic level of education and those with a more advanced education level were found to be more likely to plan to migrate than men with these levels of education. The survey also found that the intention to migrate varies substantially with employment status. As might be expected, many unemployed or occasionally employed individuals intend to migrate (51 percent and

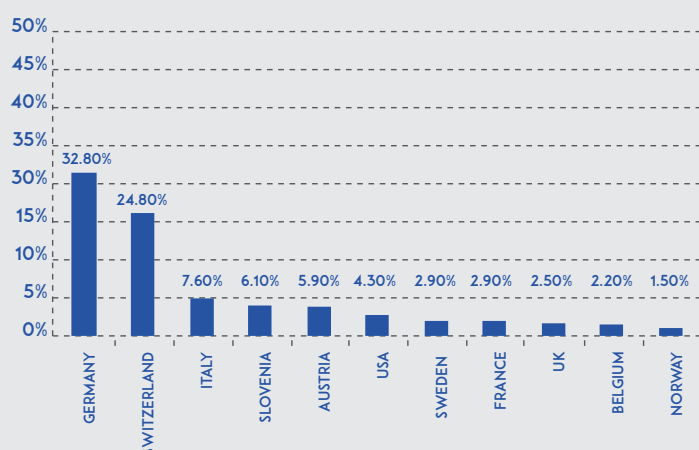
40 percent, respectively). More surprisingly however is that those who work in the private sector (38 percent) intend to migrate versus only 17 percent of those who work in the public sector.³⁷ Migration intention also varies with the satisfaction levels about Kosovo's political status. As shown in Figure 2.8, in a recent opinion poll 44 percent of respondents who reported themselves to be "very dissatisfied" with the political direction of Kosovo claimed to be planning to migrate.

FIGURE 2.8: INTENTIONS TO MIGRATE BASED ON COUNTRY'S DIRECTION



Public Pulse Database 2012

FIGURE 2.9: DISTRIBUTION OF EMIGRANTS BY COUNTRY



Source: KRS, 2012, UNDP Survey Data

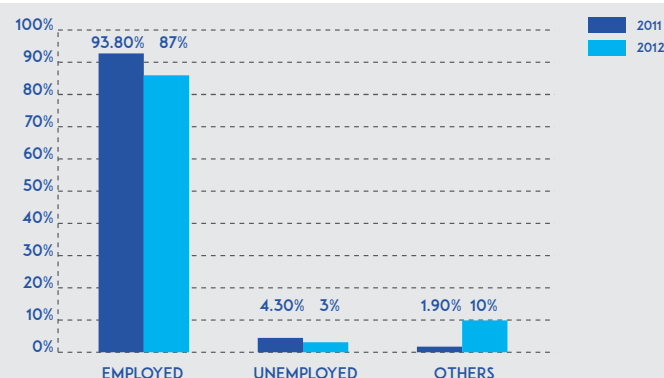
2.2.4 CURRENT LOCATION

The majority of the Diaspora community live in Germany and Switzerland, followed by Slovenia, Italy, Austria and the United States.³⁸ Figure 2.9 provides average figures on geographic dispersion derived from a number of surveys conducted over the past three years.³⁹

2.3 RETURN MIGRATION

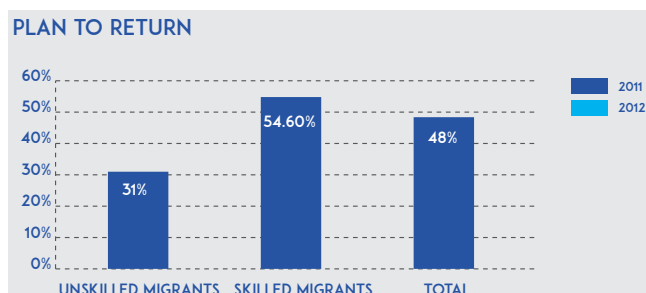
The vast majority of migrants are employed (Figure 2.10). Of those who currently plan to return home 54.6 percent hold managerial positions and work in professional jobs (Figure 2.11). Returned migrants tend to work in more highly skilled jobs than current migrants (Figure 2.12).⁴⁰

FIGURE 2.10: EMPLOYMENT STATUS OF MIGRANTS HOUSEHOLD HEADS



Source: KRS, 2011 and 2012, UNDP Survey Data

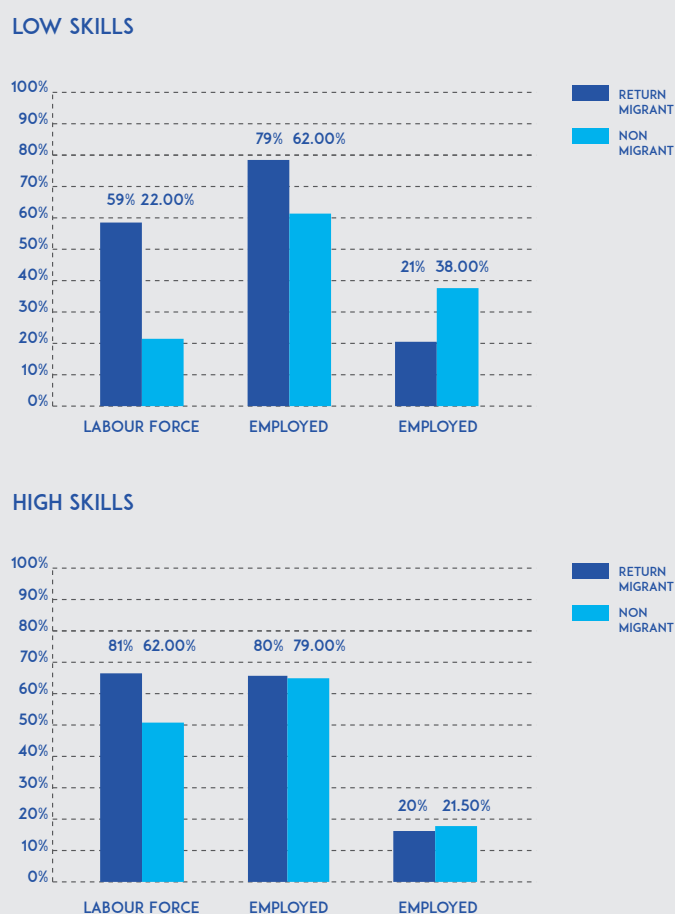
FIGURE 2.11: PLANS FOR RETURN BY SKILL LEVELS OF MIGRANTS



Skilled migrants include professional and qualified jobs and managerial positions while unskilled include unqualified jobs. The category "plan to return" includes people who stated that they will return to Kosovo while the category "do not plan to return" include people who answered no and those who were not sure.
Source: EDG Survey with migrants, 2009. Authors own calculations

Skilled returning migrants are likely to enhance the stock of human capital and human development in Kosovo. Studies have found that migrants tend to accumulate capital, knowledge and skills and then return home. The 2011 Census data shows that returnees are considerably more skilled than the resident population.

FIGURE 2.12: EMPLOYMENT RATE FOR RETURNED MIGRANTS



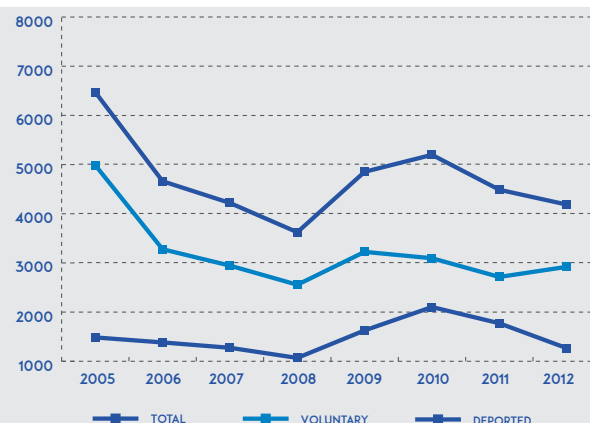
Source: Migration Survey 2009 (World Bank 2010).

Unfortunately, the high unemployment rate in Kosovo, could mean that the labour market may not be able to absorb all returnees although of late the private sector has claimed that the lack of skilled labour poses severe problems for the development of businesses, in particular for high level jobs.⁴¹ The absorption rate of the labour market is discussed in more detail in Chapter 3.

More recently, a 2011 study on students' intentions to migrate conducted with pre final and final year university students in Albania, Kosovo, and the Former Yugoslav Republic of Macedonia shows that 50 percent of those who planned to migrate from Kosovo considered three main reasons: education, work, and living abroad.

Their willingness to return to Kosovo is promising, with 51 percent of those interviewed preferring to return immediately after finishing their studies. These findings suggest a need for policy measures to attract highly educated Kosovo migrants to return.

FIGURE 2.13: VOLUNTARY AND FORCED READMITTED PERSONS, 2005-2012

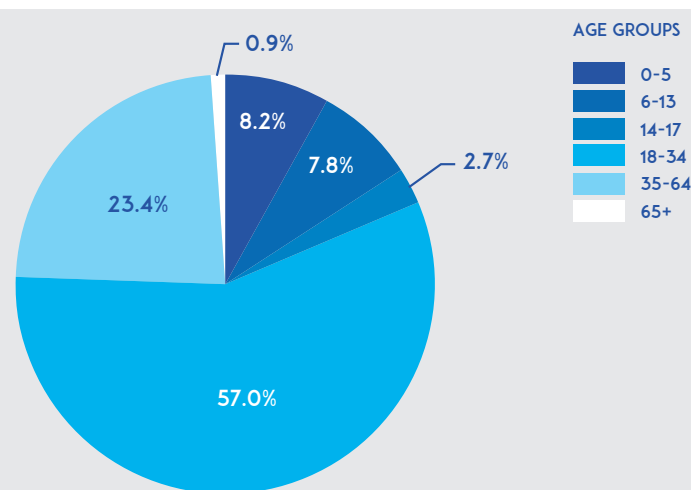


Source: Border Police Data, in Ministry of Internal Affairs (2013). Extended Migration Profile. Department of Citizenship, Asylum and Migration - Ministry of Internal Affairs.

2.3.1 VOLUNTARY AND FORCED RETURN

According to the International Organisation for Migration (IOM), a total of 200,591 migrants were assisted in returning home from June 1999 to December 2012. The largest number of voluntary returnees came from Germany, constituting 42.4 percent (85,047) whereas those from Switzerland represented 17.3 percent (34,653). Based on these figures, it can be assumed that an average of 4,000 to 5,000 people per year return to Kosovo.⁴² The number of forced returns is much higher than voluntary returns (Figure 2.13). From the total number of returnees, 70 percent were deported or forced to return indicating a low level of willingness to return which is somewhat different than what is borne out in other data and opinion polls. Available data shows that the majority of those returning belong to the 18-34 age group (Figure 2.14).

FIGURE 2.14: VOLUNTARY AND FORCED READMITTED PERSONS BY AGE GROUP (IN %), 2012



Source: Ministry of Internal Affairs (2013). Extended Migration Profile. Department of Citizenship, Asylum and Migration - Ministry of Internal Affairs

KEY POINTS – CHAPTER 2

- Migration from Kosovo has occurred in four waves since the late 1960s. Initially, mostly young men sought better employment opportunities abroad. From 1989, the worsening political climate and growing unemployment among Kosovo-Albanians caused a larger exodus, mainly to Switzerland and Germany. During the 1998/1999 war, many individuals sought refuge in neighboring countries and across Western Europe; a large share of these refugees returned to Kosovo after conditions stabilised. Since 2000, there has been a steady outflow of migrants in response to high unemployment and the lack of economic opportunities in Kosovo.
- Migration and links with the Diaspora are pervasive in Kosovo. Approximately 40 percent of Kosovo residents have family members abroad, while one in four families receives remittances.
- The share of emigrants with higher education increased significantly from the 1970s to the 1990s; emigrant household heads now have a slightly higher education level than those in Kosovo. The Diaspora is younger on average than Kosovo residents; emigrant household heads are on average 41 years old vs. 53 years for Kosovo residents.
- Many emigrants continue their education abroad or acquire relevant skills by working in qualified jobs. Those emigrants who plan to return tend to be higher-skilled than those who do not, suggesting possible benefits for Kosovo.
- During the first half of 2013, only 4 percent of 2460 decisions on asylum seekers from Kosovo in the EU were successful. The high rejection rate and subsequent return of applicants present important challenges for Kosovo authorities and for the visa liberalisation process with the EU. Asylum applications and subsequent return render it difficult to assess current net migration flow in Kosovo.
- Among the motives for migration, family reunification currently predominates, largely because it represents one of the few legal opportunities for emigration currently available to Kosovo residents. For many such emigrants, the underlying motive remains employment abroad because family unification often depends on the previous emigration of a family member for entirely economic reasons.
- Opinion surveys suggest that approximately half the individuals between 18 and 36 years (and more than one third of all respondents) plan to migrate. The main reason is the unfavourable economic situation of the respondent's family (81 percent). Migration intention is especially widespread among unemployed or occasionally employed individuals (51 percent and 40 percent, respectively). Of those who work in the private sector, fully 38 percent intend to migrate versus only 17 percent of those in the public sector. Migration intention does not vary much across education levels, although it is a little higher for those with advanced tertiary education (age group older than 17 years).

CHAPTER 3



3. MIGRATION, REMITTANCES, AND ECONOMIC DEVELOPMENT IN KOSOVO

Diaspora-related financial transactions include remittances, travel expenditure when visiting Kosovo and international investment conducted or facilitated by Diaspora members. Given the size of the Diaspora population in comparison to the resident population in Kosovo (approximately 700,000 / 1.8 million) the economic impact of these transactions is large in relation to Kosovo's domestic output and very prominent in Kosovo's international reserve inflows.⁴³ Personal remittances alone amounted to 17 percent of GDP in 2012, making Kosovo one of the top 15 recipients of remittances worldwide, relative to the size of the domestic economy.⁴⁴

Remittances strengthen demand for imported and domestically produced goods and services, raising prices and ultimately wages throughout the Kosovan economy thereby contributing to Kosovo's transition from post-conflict economic recovery to investment-driven and inclusive growth, which is a precondition for human development.

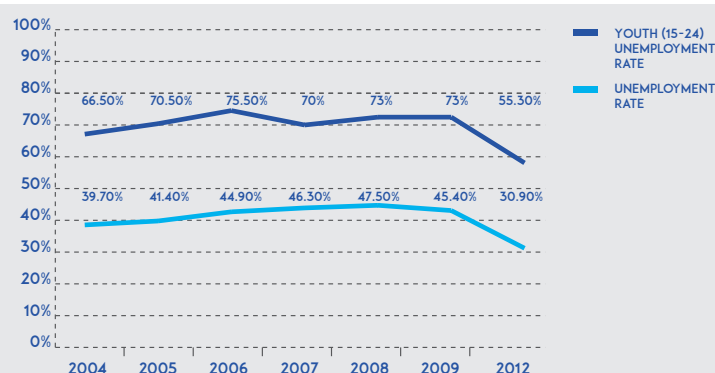
In this Chapter, we discuss the macroeconomic role of remittances and other Diaspora-related reserve inflows and their impact on human development in Kosovo. We begin by reviewing key macroeconomic indicators (Section 3.1) and then discuss the evolution of the main Diaspora-related international reserve inflows (Section 3.2). Against this background, we analyse the macroeconomic effects of the inflows (Section 3.3).

3.1 KEY MACROECONOMIC INDICATORS

Since the mid-2000s, GDP in Kosovo has grown at an average rate of 3 to 4 percent per year (Table 3.1). Remittances have played a major role in that growth and have to a certain degree compensated for Kosovo's lack of export income.⁴⁵

Despite year on year growth of GDP the Kosovan economy has not created enough jobs to reduce unemployment, especially among young people (15-24 years) who experience rates as high as 70%.⁴⁶ Average unemployment remained at approximately 44 percent during 2004 to 2009 and while the current estimate of unemployment is somewhat lower at 35 percent, this is due primarily to methodological changes in the way the figure is calculated and there are no indications that unemployment has actually declined.⁴⁷ The related risks of poverty and social exclusion that stem from wide-spread unemployment (especially among the youth) are major threats to Kosovo's future.

FIGURE 3.1: UNEMPLOYMENT RATE, 2004-2012 (PERCENT)



Source: KAS- Kosovo agency of statistics (various years)

TABLE 3.1: KEY MACROECONOMIC INDICATORS (2004-2012)

Indicator	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP (million EUR)	2912	3003	3120	3461	3940	4008	4291	4776	4916.4
GDP per capita (EUR)	1813	1834	1875	2046	2291	2293	2418	2650	2721
GDP real growth rate (percent)			3.4%	8.9%	7.2%	3.5%	3.2%	4.4%	2.5%
Consumption	110.3%	112.1%	111.1%	110.3%	110.3%	107.3%	106.2%	105.2%	106.9%
Investment	24.1%	24.1%	25.6%	25.9%	27.8%	29.0%	31.3%	32.1%	31.4%
Gross fixed capital formation	20.0%	19.7%	21.1%	21.5%	23.8%	25.6%	27.8%	28.8%	28.2%
Net exports	-34.4%	-36.2%	-36.7%	-35.9%	-38.0%	-36.4%	-37.5%	-37.2%	-35.1%
Current account balance	-7.2%	-8.2%	-7.2%	-6.2%	-11.7%	-9.3%	-12.0%	-13.8%	-7.7%
Remittances, gross inflows*	12.3%	13.9%	15.0%	14.9%	15.4%	14.6%	13.6%	12.2%	19.4%
Government transfers, gross inflows	12.8%	11.6%	10.3%	7.1%	5.7%	8.1%	7.4%	6.7%	8.2%
Inwards net FDI inflows	1.5%	3.6%	9.4%	12.7%	9.3%	7.3%	8.5%	8.3%	4.7%
Net errors and omissions	4.4%	5.8%	7.7%	5.9%	4.1%	4.0%	5.1%	5.0%	4.9%

Source: KAS (2013a) and CBK (2013a).

Note: In this table remittances include workers' remittances and employee compensation

Imports of goods and services have consistently exceeded exports in Kosovo. The large trade deficit (€ 2073 million; Table 3.2)⁴⁸ was compensated for by a surplus in the services trade (including travel expenditure by Diaspora members visiting Kosovo) of € 346 million; a surplus in the income account, largely due to compensation of employees (i.e. resident employees working for non-resident employers) at € 214 million; workers' remittances at € 519 million; transfers to the government at € 402 million and "other transfers" (including to NGOs) at € 274 million; foreign direct investment at € 216 million and "errors and omission", or essentially unaccounted international reserve inflows which typically include transfers from migrants in cash or in kind, at € 239 million (UNDP, 2012; World Bank 2010a). In the following Section we take a closer look at the evolution of the most important of these inflows.

3.2 DIASPORA-RELATED INTERNATIONAL RESERVE INFLOWS

3.2.1 WORKERS' REMITTANCES AND COMPENSATION OF EMPLOYEES

The term "workers' remittances" refers to transfers from members of the Kosovan Diaspora who are

employed in other economies and are considered residents of their host countries, i.e. they have lived abroad for more than one year. By contrast, compensation of employees includes income from technically non-resident employers in Kosovo as well as income from temporary employment abroad. This includes everything from KFOR salaries to salaries of civilian employees. Gross inflows of workers' remittances increased gradually from € 357 million in 2004 to € 609 million in 2008 and have more or less remained at that level.⁴⁹ Compensation of employees increased from € 143 million in 2004 to € 220 million in 2012.⁵⁰

Migrant remittances have therefore been a stable source of external financing in comparison to many items in the financial accounts including Foreign Direct Investment. As can be seen in Figure 3.2, Kosovan migrant remittances have been remarkably resilient in the face of the recent financial crisis. For the most part this can be attributed to the fact that the majority of Kosovan migrants are located in Germany and Switzerland which were much less affected by the financial crisis than, for example, Greece and Italy where many Albanian migrants reside.

The rate of remittances may however see a decline over the medium to long term as evidence from focus group discussions in Switzerland suggests that

TABLE 3.2: NET EXTERNAL FINANCIAL FLOWS, 2004-2012 (MILLION EUR)

Indicator	2004	2005	2006	2007	2008	2009	2010	2011	2012
Current Account	-208	-247	-226	-214	-461	-374	-516	-658	-380
Goods and services	-1001	-1087	-1144	-1242	-1498	-1419	-1565	-1793	-1727
Goods	-983	-1079	-1173	-1353	-1650	-1652	-1752	-2059	-2073
Services	-18	-8	29	111	152	232	187	266	346
Travel	27	37	57	97	125	196	222	236	309
Income	138	139	159	186	164	62	67	114	154
Compensation of employees	142	145	147	155	175	169	172	208	214
Investment income	-4	-6	12	31	-11	-107	-105	-94	-60
Current transfers	655	700	759	842	873	983	982	1021	1192
Central government	372	348	320	245	224	323	320	322	402
Other sectors	283	352	439	597	650	660	663	699	791
Workers' remittances	219	289	372	519	523	475	493	489	519
Other transfers	64	64	67	78	127	185	170	179	274
Capital and Financial account	79	73	-15	11	299	213	297	420	140
Capital account	22	19	21	17	10	100	21	42	13
Financial account	58	54	-36	-6	288	113	276	378	127
Direct investment	43	108	289	431	342	281	331	379	216
Portfolio investment	-32	-18	-65	-34	-110	-124	-49	-57	-185
Other investment	-66	-69	-182	-108	75	-138	47	-6	363
Reserve assets	113	32	-78	-294	-18	95	-53	61	-267
Net errors and omissions	129	175	241	203	162	160	218	240	239

Source: CBK (2013)

many Diaspora families are becoming increasingly preoccupied with integration in their host countries, including their children's education and purchase of real estate.⁵¹ This issue is discussed further in Chapter 8. Studies have shown that normally remittances peak around 10-11 years after migration, after which they gradually start to decrease.⁵²

FIGURE 3.2: REMITTANCE TRENDS IN KOSOVO AND THE REGION (IN CURRENT USD)*



*Personal remittances reported by WDI comprise of personal transfers and compensation of employees. Personal transfers are not limited to worker remittances as reported in the Kosovan BOP (in Table 3.2) because they include all receipts of Kosovan individuals from non-resident individuals, regardless of the source of income of the sender (i.e. not only income from labour, but also, e.g. entrepreneurial or property income, social benefits, etc.). Source: World Bank (2013c) and World Bank Database

3.2.2 TRAVEL EXPENDITURES BY VISITORS TO KOSOVO

Kosovo enjoys significant Diaspora tourism particularly during the winter and summer holidays. Gross reserve inflows from travel services have increased steadily since the early 2000s reaching € 382 million in 2012⁵³ all at a time when the number of visits to Kosovo from international agencies (including NGOs, the UN, etc.) declined. There are very few other visitors to Kosovo so a significant, if not dominant, proportion of this income can be attributed to the Diaspora.

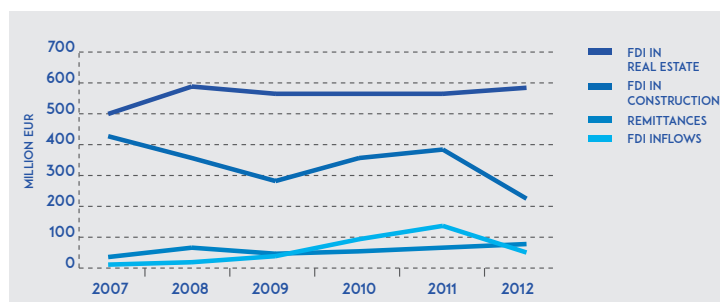
According to a study conducted by UNDP in 2012, more than 90 percent of Kosovan emigrants who were interviewed visit once or more a year and stay for periods of between two weeks and one month.⁵⁴ Their average expenditure while in Kosovo (per respondent) was € 2,352, only slightly below Kosovo's 2012 per-capita GDP.⁵⁵ In the medium to long term, the frequency of Diaspora visits to Kosovo

will depend on how their ties with friends and family in Kosovo evolve, along with their emotional attachment to the country. Government policies to strengthen links with the Diaspora (Section 9) may help in this regard.

3.2.3 FOREIGN DIRECT INVESTMENT

The high interest rates in Kosovo coupled with the negative rate of domestic saving means that Foreign Direct Investment (FDI) is very important in order to finance capital investment and increase exports.⁵⁶ The level of FDI in Kosovo fluctuated widely from € 108 million to € 431 million annually between 2005 and 2012 corresponding to between 3.6 and 12.7 percent of GDP.⁵⁷ A large chunk of this was related to the privatisation process of formerly state-owned companies in mining and other industries. During 2011 and 2012, real estate and construction accounted for more than one half of total FDI in Kosovo (Figure 3.3) and the role of the Diaspora in this deserves special attention.

FIGURE 3.3: A COMPARISON OF FDI INFLOWS IN CONSTRUCTION AND REAL ESTATE TO TOTAL FDI AND REMITTANCES (MILLION EUR)



Source: CBK (2013)

Foreign Direct Investment in real estate has grown steadily since the mid-2000s, similar to remittances, while other types of FDI have been more volatile (Figure 3.3). This suggests that FDI in real estate and construction is not only driven by short-term commercial considerations, but also, in part, by the long term considerations that members of the Diaspora typically apply as they determine their personal and economic links to Kosovo. However, the contribution of the Diaspora to investment and private sector development can take many forms and is not limited to real estate and construction. Although official data does not allow a distinction between Diaspora and other foreign investors, their involvement either as direct investors or as facilitators of investment is believed to be significant and is estimated to have accounted for approximately 30 percent of FDI in the privatisation process of the socially owned enterprises.⁵⁸

Further and similar to foreign investors in general, Diaspora members bring with them more than mere capital. They bring business ideas, technology, managerial know-how and increase the skills of the workforce and the competitiveness of Kosovan products.⁵⁹ Although these benefits are difficult to quantify, successful Kosovan companies where Diaspora members have contributed with investment and/or management and technological know-how, such as Rugova Cheese, Kosovatex, Trofta, 3CIS, etc., prove that Kosovo's private sector is already benefiting from its Diaspora. Another notable joint initiative of Diaspora businesses in Kosovo and international donors is the EYE Venture, a project which combines venture capital, training and mentoring for start-ups with high growth potential (EYE Venture, 2014).

However, Diaspora members currently spend a relatively small part of their income and remittances on business investment. Research suggests that barriers to investment in Kosovo tend not to be Diaspora-specific.⁶⁰ Rather, investment in general is hampered by limited access to finance, corruption, administrative inefficiencies and unsatisfactory workforce skills among others. One Diaspora-specific barrier however seems to be their limited access to information on potentially profitable investment opportunities as suggested by survey data from UNDP in 2012 and qualitative data from focus groups with the Diaspora.⁶¹ A second factor, appears to be the perception that there is lack of appreciation of the Diaspora by the Kosovan institutions, as well as a perceived lack of commitment to integrate the Diaspora into political activities in Kosovo.⁶² The Kosovan Government, and particularly the Ministry of Diaspora, can take action to promote closer ties with Diaspora which would – at least to a certain extent – improve a willingness to invest in Kosovo.⁶³

3.3 MACROECONOMIC EFFECTS OF REMITTANCES AND OTHER DIASPORA-RELATED FLOWS

3.3.1 STRUCTURAL CHANGE TOWARDS NON-TRADABLE GOODS AND SERVICES (“DUTCH DISEASE”)

One common feature of workers' remittances regardless of their origin is that they tend to lead to higher demand for local (“non-tradable”) goods and services produced in Kosovo. Higher demand leads to higher supply of local goods and services.

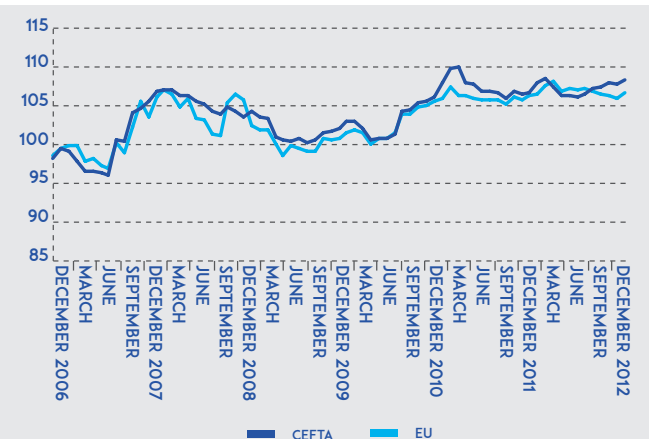
Supply is increased firstly through the more effective use of existing resources and productive capacity (i.e., underutilized plants and equipment, underemployed but suitably trained workers) which will not draw factors of production away from other (tradable goods) sectors. If, on the other hand, existing productive capacity is more or less fully utilised, higher demand for non-tradable goods and services will increase prices which will in turn render these sectors more profitable and draw factors of production from elsewhere in the economy.

A higher price of non-tradable goods and services relative to tradable ones is equivalent to a real appreciation of the domestic currency so domestic goods become more expensive relative to goods from the rest of the world. As a result, export and import-competing industries become less competitive. This process occurred in the Netherlands during the 1950s after they began to export large quantities of natural gas. Export revenues were spent not only on additional imports but also on non-tradable, domestically produced goods and services, leading to a decline in tradable goods industries. The process is called “*Dutch Disease*” by some observers because human capital formation, which is regarded as a precondition for long-term economic growth, is assumed to occur in the manufacturing industry (tradable goods), rather than in non-tradable services sectors (trade, restaurants, government).

It would be natural therefore to look for evidence of structural change towards non-tradable sectors in the evolution of GDP in Kosovo. Unfortunately, available data does not render a clear picture in this regard.⁶⁴ Some non-tradable sectors such as wholesale and retail, financial intermediation, and the Kosovo government (not including donors) saw their shares in GDP increase, but so did agriculture and manufacturing (both tradable sectors). Turning to the relative price of non-tradables vs. tradables as approximated by the real effective exchange rate (Figure 3.4), there was only a modest real appreciation of about 10 percent between end-2006 and end-2010 but little change thereafter.⁶⁵

As noted by Korovilas and Havolli (2009) the price level in Kosovo (where prices are denominated in Euro) is high relative to other Southeast European countries. They argue that this is due to remittances and related inflows which have in turn prevented the re-industrialization of Kosovo that should have occurred along with post-conflict reconstruction.

FIGURE 3.4: REAL EFFECTIVE EXCHANGE RATE TOWARDS CEFTA AND THE EU (JANUARY 2007=100)



Source: CBK (2013c)

Computer simulations that have been used to analyse the impact of migration and remittances for transition countries in Eastern Europe, the Caucasus, and Central Asia suggest that particularly for small countries with high remittances relative to GDP⁶⁶ remittances lead to higher private consumption, GDP growth, a higher wage level, and a real appreciation of the domestic currency.⁶⁷ While it is plausible that a consistently high rate of remittances can slow the growth of manufacturing, there are additional factors to consider. Re-industrialization requires private investment which is currently held back by the difficult investment environment in Kosovo and the low quality of public infrastructure and while these factors might be overcome in time, Kosovo's landlocked geographic location and difficult relations with Serbia will continue to render the integration of production facilities into global production networks difficult.

Given the fact that remittances are spent on imported goods they must be having a positive effect on revenue collection.⁶⁸ To the extent that this assumption holds, it would appear that remittances have helped finance high public investment rates (by regional standards) while increasing government support to vulnerable groups in recent years,⁶⁹ coupled with an increase of almost 40 percent in government funds spent on social welfare payments in 2011 (compared to 2009).

3.3.2 EFFECTS ON THE LABOUR MARKET

At the macroeconomic level, migration and remittances contribute to human development by helping to stabilise employment and by sustaining higher wage levels than would be possible otherwise.

The World Bank finds that overall Kosovan wages are competitive within in the region; levels are rela-

tively low and wage increases have been less rapid than elsewhere.⁷⁰ Wage competitiveness is particularly strong in tradable sectors and for unskilled labour suggesting that Kosovo is not afflicted by a "Dutch disease" as discussed above.

At the same time, the labour market in Kosovo is characterised by persistent levels of high unemployment and economic inactivity. It has been reported many people are no longer looking for work because the chances of finding a sufficiently well-paid job are so low. The best measure of the lack of employment opportunities is the low employment ratio (employment relative to the working age population) which declined from 29 percent in the mid-2000s to less than 26 percent in 2012.⁷¹ As can be seen in Table 3.3 labour market conditions are particularly harsh for women and for the youth.

TABLE 3.3: LABOUR MARKET INDICATORS ACCORDING TO GENDER (2012)

Indicator	Men	Women	Total
Labour force participation	55.4%	17.8%	36.9%
Unemployment rate	28.1%	40.0%	30.9%
Employment rate	39.9%	10.7%	25.6%
Youth unemployment rate (15–24)	52.0%	63.8%	55.3%

Source: KAS (2013)⁷²

Low demand for labour is the main reason for the lack of employment opportunities. However, gender differences in terms of both unemployment and inactivity are caused at least partly by a lower level of education among women and social norms where women tend to be the main caregivers.⁷³ Around 40 percent of women that are unemployed and not looking for work report that they are inactive because they have caregiving responsibilities or personal/family responsibilities.⁷⁴

One reason for the persistently low employment rate is the high number of new entrants into the labour market every year (approximately 36,000 individuals), combined with relatively few retirees (approximately 10,000).⁷⁵ With annual emigration in the order of 13,000 individuals and only a few thousand returnees (Chapter 2), it is clear that migration plays a significant role in reducing the labour supply in Kosovo and thereby sustaining the wage level. While difficult to quantify, it is clear that by absorbing approximately one out of two new entrants into the labour market every year, emigration plays an important role in preventing unemployment from rising even higher.

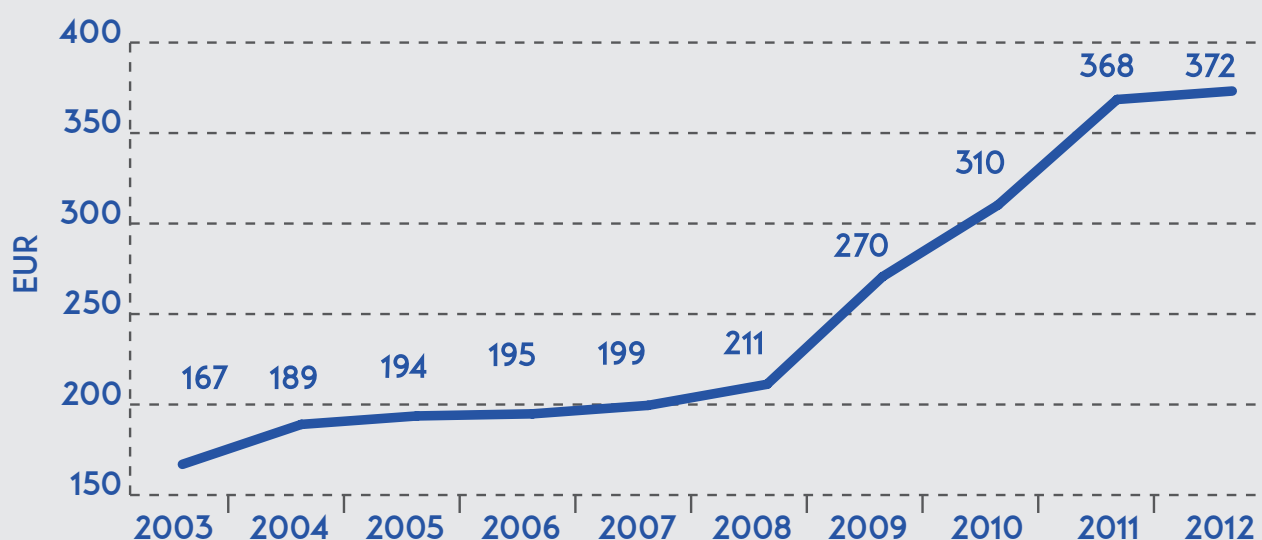
The average wage level in Kosovo even though it has remained competitive in the region as noted above, has approximately doubled in nominal Euro terms since 2003 (Figure 3.5). It is difficult to see how this rapid increase could have occurred without growing demand for non-tradable, domestically produced goods and services due to migrant remittances and other Diaspora-related international reserve inflows (Section 3.3.1).

In particular, there is little evidence of a wide-spread, rapid growth in labour productivity that might otherwise explain the wage increase, especially since 2006. Rather, available evidence suggests that productivity growth was too small to explain the large wage increase, pointing instead to the role of higher demand for non-tradable, domestic goods and services. Migration can also help address the insufficient level and quality of skills among the Kosovan workforce. There are regular reports that companies in Kosovo experience problems recruiting workers with the right skills and at times even express concerns about the actual skills of highly educated workers.⁷⁶ As noted in Chapter 2 and Chapter 6 of this report migrants tend to acquire formal training and work experience abroad while remittances help to pay for the education of family members at home.

Migrants also report that their experience abroad has improved their prospects of finding a job in Kosovo and they tend to enjoy a higher employment rate and higher wages than non-migrants.⁷⁷

The impact of remittances on education spending at the household level is discussed further in Chapter 4 while the impact of migration and remittances on education attendance is discussed in Chapter 6.

FIGURE 3.5: AVERAGE MONTHLY PAID NET WAGES, BUDGET SECTOR (€)



Source: MLSW (2013)

KEY POINTS – CHAPTER 3

- The Diaspora plays an important role in financing the large deficit in merchandise trade, not only through remittances as narrowly defined in the balance of payments, but also through compensation of employees (i.e. income of Kosovan residents temporarily working abroad), Diaspora tourism, and FDI undertaken or facilitated by Diaspora members. Therefore, migration-related inflows are an important factor in enabling the country's domestic absorption (consumption plus investment) to exceed domestic output.
- Notwithstanding the resilience of remittances to date, the amount of remittances and Diaspora investment could decrease in the medium to long term if the ties of migrants to Kosovo were to become weaker over time and new flows of emigration were to be reduced.
- At the macroeconomic level, migration and remittances have probably contributed to human development by helping to increase (or stabilise) employment and by sustaining wages at a higher level than they could attain otherwise, therefore reducing income poverty. There are at least two channels through which this is likely to happen in Kosovo: First, emigration reduces the domestic labour supply and unemployment and, hence, downward pressure on the wage level. Second, remittances and other migration-related flows increase demand for labour for non-tradable domestically produced goods and services (wholesale and retail trade sectors, construction industry, healthcare, education, and travel related services).
- The Kosovo Diaspora can be a valuable source of investment, particularly in – but not limited to – economic activities where Diaspora members are employed in their host countries, such as construction, hotels and restaurants, and manufacturing, but not necessarily limited to these sectors. However, the main barriers to Diaspora investment are generic: corruption, inefficient administration, etc. Lack of information on investment opportunities and some Diaspora members' perception of not being appreciated by Kosovan institutions may constitute further barriers.
- While initiatives of the Kosovo Government, with donor support, to strengthen ties with the Diaspora and to facilitate Diaspora investment are potentially valuable, their full benefits can only be reaped when the generic barriers to investment are addressed.

CHAPTER 4



4. INCIDENCE AND USE OF REMITTANCES: EFFECTS ON WELFARE, HUMAN DEVELOPMENT AND EMPLOYMENT OPPORTUNITIES THROUGH INVESTMENT

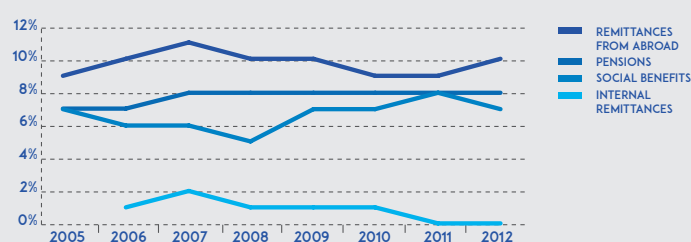
In Chapter 3, we have shown that migration and remittances, along with other Diaspora-related international reserve inflows, have contributed to the rapid growth of the average wage and rapidly growing tax revenues over the last ten years. In this sense, all households in Kosovo have indirectly benefitted from migration and remittances. In this Chapter, we turn to the direct effects of migration and remittances at the household level which is where we can best determine their effect on human development.

In order to do this, we analyse the incidence and value of remittances (Section 4.1), the demographic and labour market characteristics of both remittance receiving and non-remittance receiving households (Section 4.2) followed by an analysis of the impact of remittances on household incomes and poverty and on household spending for basic needs and human capital formation (Section 4.3). In Chapter 6 and 7, we analyse changes in access to education and health care.

4.1 INCIDENCE AND VALUE OF REMITTANCES ACCORDING TO AREA OF RESIDENCE AND ETHNIC GROUPS

Migrant remittances in Kosovo act as a safety net by providing livelihood support to a significant share of households and at the same time they help relieve pressure on the government budget by replacing social benefits. It is estimated that approximately 25 percent of Kosovan households receive remittances.⁷⁸ As can be seen in Figure 4.1, the share of households relying on remittances from abroad followed by an increasing trend until 2007 after which it fluctuates between 9 and 10 percent; 2009 is the only year that saw a decrease which was most likely result of the financial crisis.⁷⁹ The share of households relying on internal remittances, although significantly lower (ranging between 0 and 2 percent), seems to broadly follow the same trend at least until 2010.

FIGURE 4.1: SHARE OF HOUSEHOLDS ACCORDING TO THEIR MAIN SOURCE OF INCOME (%)



Source: Kosovo agency of statistics: Kosovo Remittances Survey (2013)

A look at the trends in Figure 4.1 suggests that the share of households relying on remittances from abroad and those relying on social benefits seem to be negatively correlated, suggesting that remittances represent an important source of income for some of the poorest households in Kosovo, replacing and/or complementing social benefits.

TABLE 4.1: MEAN HOUSEHOLD CHARACTERISTICS

Characteristics	Remittance recipients	Non-remittance recipients
Household members (average)	4.8	4.7
Share of children*	14.6%	18.6%
Share of elderly*	0.1%	4.7%
Share of women - headed households*	12.5%	16.9%
Share living in rural areas*	52.8%	49.1%
Share living in Prishtina*	18.2%	24.7%

*The asterisk denotes differences which are statistically significant at 5%
Source: Authors' estimations based on data from (UNDP, 2011)

An initial comparison between remittance receiving and non-receiving households does not reveal major differences in terms of size, composition and location of residence. Households that receive remittances, on average, have a larger share of elderly people (i.e. above the age of 65 years), but a smaller share of children. This is consistent with the fact that emigrants are for the most part of working age and that many have established their nuclear families in the host countries and are continuing to support their parents (and siblings) in Kosovo. Accordingly, Kosovan households most frequently report having a 'child' (41 percent of households) and 'brother' (29 percent of households) abroad. Those reporting a sister abroad accounted for 8 percent of households. There are some differences between different ethnic groups in this respect, as discussed later in this section. Female-headed households are somewhat over-represented among remittance recipients compared to the rest of the population.⁸⁰

Remittance recipient households are also more likely to reside in rural areas and less likely to reside in the capital Prishtina/Priština. Households in rural areas also receive a higher amount on average (total remittances in cash and in kind amount to € 2,166 versus € 1,733 for urban dwellers - Table 4.2).

TABLE 4.2 INCIDENCE AND VALUE OF REMITTANCES ACCORDING TO AREA OF RESIDENCE

Characteristics	Urban	Rural
Migration incidence	36.7%	37.0%
Remittance incidence*	23.6%	26.3%
Mean value of remittances* (annual, EUR)	1733	2166

**The asterisk denotes differences which are statistically significant at 5%
Source: Authors' estimations based on data from (UNDP, 2011)*

Studies have also shown that rural migrants from Kosovo are more likely to remit, and to remit more than their urban counterparts even if they have lower incomes than the migrants from urban areas.⁸¹ As can be seen in Table 4.3 there are also marked differences in remittance behaviour across ethnicities. Kosovo Albanian households are most likely both to have migrant family members (39 percent) and to receive remittances⁸² from them (27 percent).

TABLE 4.3: INCIDENCE AND VALUE OF REMITTANCES ACCORDING TO ETHNIC GROUPS

Characteristics	K-Alb	K-Serb	K-Other*	K-RAE
Migration incidence (%)	39.4%	12.3%	24.0%	18.3%
Remittance incidence (%)	27.3%	6.7%	11.0%	11.0%
Mean value of remittances (annual, Euro)	1,970	2,032	1,480	1,158

**The asterisk denotes differences which are statistically significant at 5%
Source: Authors' estimations based on data from (UNDP, 2011)*

The incidence of migration and remittances is low-est among Kosovo Serbs, with other ethnicities in between. However, those K-Albanian and K-Serb households that do receive remittances receive similar amounts (approximately € 2,000), somewhat higher than other ethnic (K-Other) groups at just under € 1,500 and the Roma, Ashkali and Egyptian minority (K-RAE) at € 1,150.

The differences in incidence of remittances between ethnicities could primarily be due to the different household structures among the ethnicities. First, although this cannot be established from this data, the significantly smaller share of K-Serbs households with migrants compared to other ethnic groups

could be due to whole households emigrating, rather than just having individual household members emigrating.⁸³

Second, the lower probability of receiving remittances for K-Serbs compared to K-Albanians, among households that have migrants, could be due to differing relationships between the migrants and the households left behind. Namely, whilst 'brothers' and 'children' are most likely to be cited as remittance senders by Kosovan households of all ethnic backgrounds, only 47 percent of K-Serbs report having a brother and/or child as a migrant, compared to 70 percent of K-Albanians and a range of 43-76 percent for other ethnic groups.

4.2 KEY LABOUR FORCE INDICATORS FOR REMITTANCE RECIPIENT VS. NON-RECIPIENT HOUSEHOLDS

Remittance recipients and non-recipients are also significantly different in terms of labour force participation and employment status (see Table 4.4 below). While the mean household size is similar, recipients have a slightly higher mean number of working age adults. Working age adults in remittance recipient households face higher unemployment rates compared to those in non-recipient households (44 percent versus 40 percent) and they are less likely to be economically active (70 percent versus 65 percent).

TABLE 4.4: MEAN LABOUR FORCE INDICATORS

Characteristics	Remittance recipients	Non remittance recipients
Household members	4.9	4.8
of which working age adults*	3.79	3.65
of which labour market participants*	64.9%	70.5%
of which currently employed*	56.0%	60.1%
Reservation wage (€)	268	260

**The asterisk denotes differences which are statistically significant at 5%
Source: Authors' estimations based on data from (UNDP, 2011)*

The lower activity rate among remittance recipients may be due to the discouraged unemployed recipients having lost hope of finding work, having more household work to do, spending more time in subsistence agriculture or the fact that some recipients may be in education and are therefore less available or less interested in outside employment. Finally, the lower activity rate among remittance recipients may suggest that remittances may keep individu-

als out of the labour market due to the ‘*reservation wage effect*’ which implies that individuals who can fall back on remittances require a higher wage before they will accept a job. However, this seems less likely to be the case considering that there is no evidence that remittance recipients have significantly higher self-reported reservation wages (see Table 4.4).⁸⁴ Similarly, the share of economically inactive individuals who report they would be willing to work is the same, regardless of whether they have a migrant connection or not.⁸⁵ Finally, it should be noted that from the perspective of human development, it can be argued that any potential reservation wage effect may have a positive side as recipients might not have to accept a job that is considered undignified (i.e. below one’s reservation wage), or they have a choice to pursue education both of which constitute an element of freedom and hence human development.

4.3 EFFECTS OF REMITTANCES ON HOUSEHOLD CONSUMPTION, HUMAN DEVELOPMENT AND BUSINESS

This section looks at the relationship between (incidence and value of) remittances and consumption, investment in human development and business investment at household level.⁸⁶

The number of household members needs to be taken into account for this analysis along with the age composition particularly as remittance-receiving households have on average, a significantly larger share of children under 15, a group which is typically expected to have lower consumption needs.⁸⁷ To avoid any distortions in this regard, this section analyses the effect of remittances on the level of per adult-equivalent consumption expenditure.⁸⁸

A comparison of mean levels of consumption expenditure in this regard suggests that the consumption of remittance receiving households in Kosovo is 8 percent higher than that of non-remittance receiving households (Table 4.5).⁸⁹

Similarly, remittance recipients report a rate of total expenditure per adult-equivalent that is 10 percent higher than their non-recipient counterparts; they also enjoy a level of income from other sources (i.e. excluding remittances) that is 6 percent higher than that of non-recipient households, which can at least in part explain their higher consumption level. As can be seen in Table 4.5 remittance-recipients spend more on most consumption categories, although the

difference between the two groups is not always proportional across categories.⁹⁰

Differences are quite marked for spending on education and healthcare with remittance recipients spending 11 percent more on education and 48 percent more on healthcare than non-recipients. Although the values are small in absolute terms, this may suggest that remittances promote human development, either directly through financing healthcare and education or through ‘*freeing up*’ households’ own resources. This is discussed further in Chapters 6 and 7. In relation to savings and investment, a closer look at the likelihood of reporting investment expenditure suggests that remittance recipient households are more likely to report investment expenditure than non-recipient counterparts (6.6 percent compared to 5.5 percent).

TABLE 4.5: CONSUMPTION EXPENDITURES ACCORDING TO (NON) REMITTANCE RECIPIENTS

Indicator	Remittance recipients	Non remittance recipients
Total income, excluding remittances*	197.3	186.3
Total expenditure*	135.3	122.4
Consumption expenditure, excluding durables and housing		
Food	44.5	45.4
Non-food (e.g. alcohol, cigarettes, hygienic products)*	12.3	11.4
Semi-durable goods (e.g. clothes, furniture)	12.4	12.5
Healthcare*	8.5	5.7
Education	6	5.4
Transportation*	8.5	6.4
Entertainment	7.1	6.6
Durable goods*	5.4	3.5
Housing	17.2	15.2
Investment	7.3	4.1
Savings	2.6	2.8
Debt repayment	3.5	3.4

*The asterisk denotes differences which are statistically significant at 5%
Source: Authors’ estimations based on data from UNDP (2012)

Remittance recipient households are more likely to possess durable assets or technology (Table 4.6 below). The differences are particularly marked for goods such as computers, cameras, DVD players and electricity generators, as well as for Internet connections. A number of statistical analyses were conducted to further investigate the effect of remittances on expenditure in health, education and investment. Positive findings (Statistical Annex, p.81-83) were noted.

TABLE 4.6: HOUSEHOLDS' POSSESSION OF DURABLE GOODS/TECHNOLOGY (%)

Durable goods/technology	Remittance recipients	Non remittance recipients
TV set*	100%	99%
DVD player*	74%	61%
Satellite dish*	42%	36%
Washing machine*	97%	94%
Refrigerator*	97%	96%
Computer*	76%	65%
Internet connection*	70%	57%
Camera*	47%	31%
Mobile phone	94%	92%
Car*	68%	63%
Tractor*	30%	22%
Electricity generator at home*	29%	17%
Air conditioning	60%	50%

**The asterisk denotes differences which are statistically significant at 5%
Source: Authors' estimations based on data from UNDP (2012)*

KEY POINTS – CHAPTER 4

- The incidence and value of remittances vary. Although rural and urban households have a virtually equal probability of having family members abroad, rural households are slightly more likely to receive remittances and they receive, on average, a larger amount of remittances compared to their urban counterparts.
- Compared to other ethnicities, K-Albanian households are considerably more likely to have migrants abroad, as well as to receive remittances. K-Serb households are the least likely both to have migrants (including those in Serbia) and to receive remittances, after controlling for migration incidence; however, they enjoy the highest amount of remittances, on average. K-Other households (including K-RAE) stand between K-Albanians and K-Serbs in terms of incidence of migration and remittances; K-RAE receive lower remittances than all other groups.
- Remittance receipts are, on average, associated with a lower probability of a household living in (absolute) poverty, and with a higher level of consumption expenditure. Remittance recipient households are also more likely to own particular assets, especially durable goods such as computers, cameras, DVD players and electricity generators, and to have an Internet connection. Finally, controlling for relevant household characteristics, including the amount of income from other sources (i.e. excluding remittances), remittances are found to have a positive effect on expenditure on health and education, as well as on the probability that a household invests in business activities.

CHAPTER 5



5. GENDER EFFECTS AND VULNERABLE GROUPS LEFT BEHIND

This Chapter analyses both the gender effects of migration and the impact of mobility on vulnerable groups left behind. There are not that many studies that analyse the impact of migration on the migrants themselves – a topic that was well elaborated in the 2009 Global Human Development Report.

It is important to assess the benefits that migration brings to women migrants and the signal this may send to women in Kosovo who may see migration as a mechanism for improving their wellbeing. In addition, by examining how women migrants fare abroad, we may learn more about the possible impact of this in Kosovo.

In many countries, migration is a household strategy aimed at improving not only the mover's prospects, but those of the extended family as well. As a result and as noted in previous Chapters of this report, migration may affect the human development of migrants' families and communities in many ways. Here we focus on women headed households as per the fact that this group faces more pronounced poverty in Kosovo than others and may therefore be considered as marginalized.⁹¹

We also analyse the impact of migration on the social position of the women left behind who may experience greater empowerment as they become decision makers within the household although their decision-making power may also decline if they live with their in-laws. Similarly, the impact on women's labour force participation may be negative if women left behind have to perform more work within the household; or it may be positive when migrants transfer "*social remittances*" – new values, ideas, behaviours, and practices, including those in relation to attitudes towards gender and the gender balance (as emphasized strongly by the 2009 Global HDR). To our knowledge, this Chapter is the first attempt to address these issues in the context of Kosovo.

Finally, we look at one other vulnerable group potentially affected by migration, namely the elderly people left behind. The impact on them may be positive if they receive financial support or they may suffer emotionally especially if they are left alone.

5.1 HOW DO WOMEN MIGRANTS FARE?

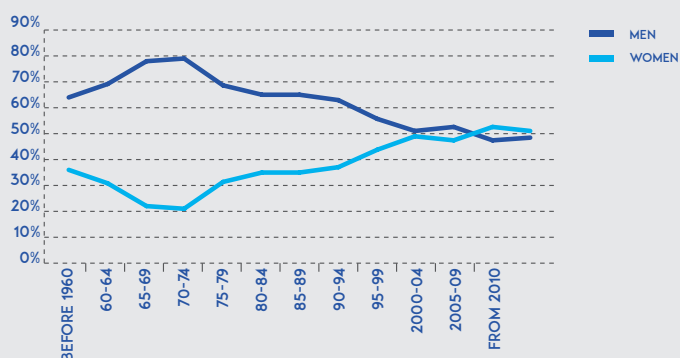
In this section we investigate whether migration contributes to the human development of Kosovan women migrants, given that they face different challenges and opportunities from men. Based on the latest 2012 Labour Force Survey,⁹² women in Kosovo face higher rates of unemployment (40 percent) than men (28.1 percent). In addition, only 17.8 percent of working age women are economically active in Kosovo (i.e. part of the labour force), compared to 55.4 percent of men. These statistics suggest that despite some progress, gender inequality is still an issue of concern in Kosovo and given their poor prospects in the domestic labour market, Kosovan women may find migration an attractive option.

According to the 2009 Global HDR, migration may enhance the education of women, offering them better opportunities for employment, and ensuring higher earnings, all contributing to human development. One conclusion from the literature is that migrant women may be unlikely to return because they appreciate the freedom and autonomy that come from earning their own livelihood even when they are not truly happy with their income and other related-work conditions. In order to analyse this hypothesis we use the 2009 World Bank Migration Survey which collected information from 2,024 randomly selected Kosovan migrant households whether or not they send remittances.⁹³ We also examine the characteristics of women as remitters using data from the 2011 UNDP Kosovo Remittance Survey that included interviews with remitters conducted either face-to-face or via telephone.

5.1.1 A PROFILE OF KOSOVAN WOMEN MIGRANTS

Data from latest Census held in 2011 shows that out of 380,826 migrants, 43 percent are women.⁹⁴ While the early migration waves were dominated by men, an increasing number of women started to emigrate from 1991 onwards (Figure 5.1). According to the 2011 Census, 46 percent of migrants left for family-related reasons; 35 percent for employment; 8 percent due to the conflict; and only 1 percent for educational reasons. Similarly, according to the World Bank Migration Survey,⁹⁵ 70 percent of women migrants have left for marriage and family-related reasons while finding a job (at 16 percent) is the third most important reason given.

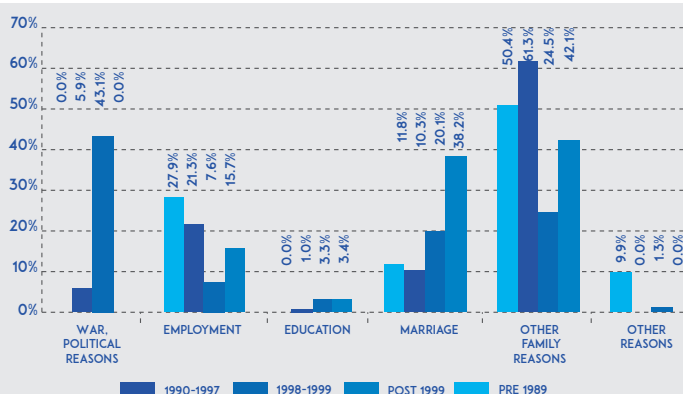
FIGURE 5.1: KOSOVO MIGRANTS, BY MIGRATION WAVES



Source: KAS, 2014

Marriage and family remained the most important reasons for women's migration across all migration waves (Figure 5.2). Women migrants live mostly in Germany (35 percent) followed by Switzerland (24 percent), and Italy (6 percent).⁹⁶

FIGURE 5.2: REASONS FOR MIGRATION OF FEMALE MIGRANTS, BY MIGRATION WAVES



Source: World Bank 2009 Migration survey

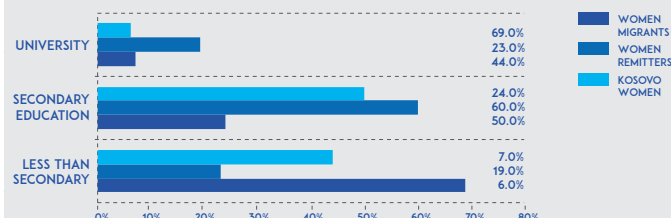
5.1.2 MIGRANT WOMEN: HOW DO THEY FARE ABROAD IN TERMS OF HUMAN CAPITAL DEVELOPMENT

As can be seen in Figure 5.3 women migrants seem to be more educated than women in Kosovo.⁹⁷ Women remitters are particularly well-educated. The share of illiterate women migrants declined over the years whereas the share of women with secondary education increased from the first to the third wave (Figure 5.4). Similarly, education level is highest among women migrants aged 20-24 years old and lowest among women older than 55 years old (Tables 5.1 and 5.2).

According to the World Bank migration survey about 11 percent of women and 9.5 percent of male migrants increased their education level while abroad translating into better opportunities in the

labour market and easier entry into the host society's economic mainstream which in turn leads to a higher chance of financial support to families in the country of origin.⁹⁸

FIGURE 5.3: EDUCATION LEVEL OF WOMEN, BY MIGRATION STATUS



Source: World Bank 2009 Migration survey

A total of 34 percent of working age women migrants are employed abroad as opposed to 10 percent of working age women living in Kosovo.⁹⁹ However, women migrants are more likely to hold low skilled jobs.

TABLE 5.1 EDUCATION LEVELS OF FEMALE MIGRANTS BY AGE (AGED 15+)

Age	None, can't read/write	None, but can read/write	Primary	Secondary	University bachelor	Masters
15-19	1.4%	5.1%	16.6%	73.0%	3.8%	0.0%
20-24	0.8%	1.4%	16.1%	70.0%	9.9%	1.4%
25-29	0.9%	0.0%	36.1%	57.0%	4.9%	0.7%
30-34	0.0%	0.0%	54.2%	40.0%	3.3%	2.3%
35-39	0.0%	1.2%	45.7%	44.0%	8.8%	0.0%
40-44	0.0%	0.0%	60.6%	34.0%	5.1%	0.0%
45-49	0.0%	0.0%	52.5%	33.0%	14.7%	0.0%
50-54	7.0%	12.2%	46.6%	34.0%	0.0%	0.0%
55-59	6.9%	0.0%	79.3%	14.0%	0.0%	0.0%
60-64	39.9%	0.0%	60.1%	0.0%	0.0%	0.0%

Source: World Bank Migration Survey

Permanent migrants often have greater access to education, employment and health services, while the access for temporary or irregular migrants tends to be much more restricted. Data presented in Figure 5.5 reveals women migrants hold stronger positions than men in terms of legal status with 86 percent of them holding a permanent resident status compared to 74.1 percent of men.

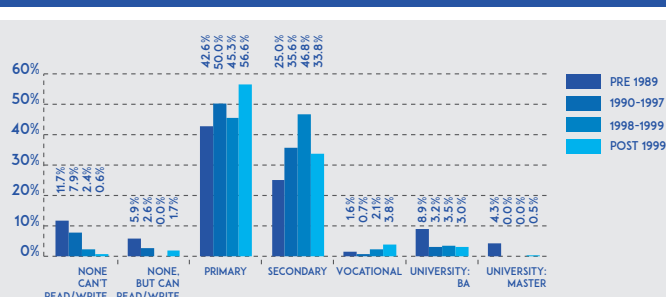
TABLE 5.2: HIGHEST EDUCATION LEVEL COMPLETED FOR WOMEN IN KOSOVO AGED 15+, 2011 CENSUS DATA

	None, can't read/write	None, but can read/write	Primary and lower second. <= 9th grade	Secondary	University bachelor	MA and PhD
15-19	0.65%	0.68%	87.68%	10.99%	0.00%	0.00%
20-24	1.12%	0.90%	32.08%	57.90%	7.82%	0.17%
25-29	1.59%	1.24%	44.98%	38.37%	12.65%	1.17%
30-34	1.72%	1.44%	60.48%	29.39%	6.19%	0.79%
35-39	2.01%	1.57%	63.78%	27.54%	4.46%	0.64%
40-44	2.71%	1.95%	63.91%	26.52%	4.25%	0.66%
45-49	4.36%	2.79%	61.07%	26.73%	4.31%	0.74%
50-54	6.01%	3.62%	64.47%	21.09%	4.23%	0.58%
55-59	8.04%	4.42%	69.86%	14.51%	2.78%	0.38%
60-64	11.27%	5.45%	72.07%	9.69%	1.32%	0.20%

Source: KAS, Census, 2011

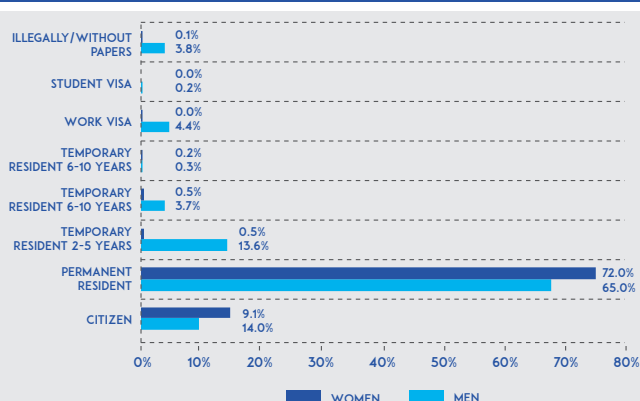
This places women migrants in a more advantageous position as they can benefit more from education in the host country and they will have no legal barriers to employment.

FIGURE 5.4: EDUCATION LEVEL OF FEMALE MIGRANTS, BY WAVES



Source: World Bank 2009 Migration survey

FIGURE 5.5: RESIDENTIAL STATUS OF MIGRANTS, BY GENDER



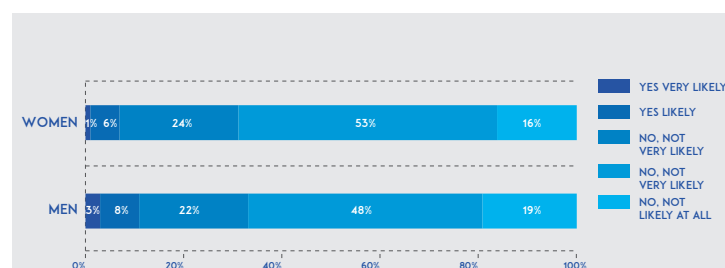
Source: World Bank 2009 Migration survey

Additionally having a settled legal status provides them with access to social assistance schemes which according to the 2009 HDR policy assessment is generally granted to all permanent migrants in most host countries.

In relation to residential status and as seen in Table 5.3, employment rates are higher among those who hold permanent status and decreases for those that hold only residential or temporary status, though a higher drop can be seen for men than women. An analysis of World Bank data found that less female (6.8 percent) than male (11.1) migrants are likely to return in the next five years (Figure 5.6). When reviewing the factors that determine the decision to return only age and links to their families in Kosovo have a significant impact on women while for men the decision is influenced by a number of factors including education acquisition while abroad; whether or not migration occurred for work related reasons; frequency of visits and plans to invest in Kosovo. Male and female migrants are less likely to return home if they hold a permanent status, have family abroad or have stayed abroad for a longer period of time. It can be concluded therefore that female migrants are less likely to return to Kosovo due in part at least to the fact that they settle well and establish a better life in host countries compared to the life that they could have in Kosovo.

In general and based on the data presented in this section, women migrants fare better in the labour market and a greater share have benefited from education while abroad in comparison to women at home.

FIGURE 5.6: LIKELIHOOD OF MIGRANT RETURNING IN NEXT 5 YEARS (% WITHIN EACH GENDER GROUP)



Source: World Bank 2009 Migration survey

In addition and since the majority of Kosovan women abroad hold permanent status in the residing countries, their potential to benefit from education, employment and social schemes is greater than that of men. Finally, the majority of Kosovan women abroad speak at least one foreign language which contributes to greater integration in host countries.

5.1.3 FINANCIAL CONTRIBUTION OF WOMEN MIGRANTS TO KOSOVO

This section examines for the first time the contribution of remittances from women migrants to Kosovo. Evidence from other countries suggests that despite receiving lower wages on average, women tend to send a larger proportion of their incomes home and on a more regular basis.¹⁰⁰

TABLE 5.3: EMPLOYMENT RATE BY RESIDENTIAL STATUS (% EMPLOYED WITHIN EACH GROUP)

	Men	Women
Citizen	78	48
Permanent resident	75	35
Temporary resident 2-5 years	61	20
Temporary resident 6-10 years	59	34
Family reunification	42	0
Work visa	75	34
Illegal without papers	31	0
Total	71.10%	34.40%

Source: World Bank 2009 Migration survey. Note: for all categories there are observations

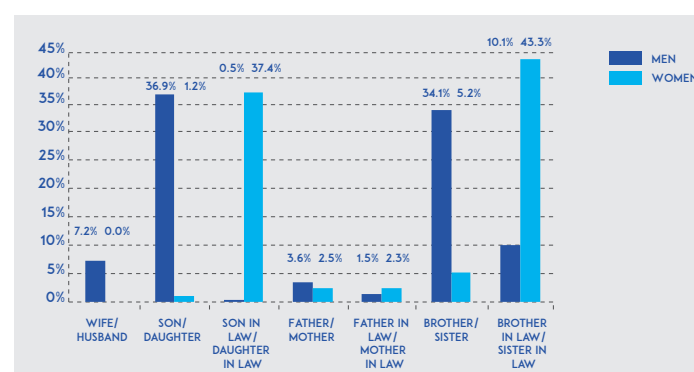
However, this doesn't seem to hold true for where a significantly lower number of women send remittances than men (14 percent vs. 60 percent).¹⁰¹ As can be seen in Table 5.3 the employment rate of Kosovan male migrants within each group of residential status is higher than that of women. None of the female migrants that possess a family reunification status are employed as opposed to 42 percent of men in this category and only one third of women that possess a working visa are employed compared to more than two thirds of men with the same status. This highlights the fact that male migrants from Kosovo tend to perform better than women migrants in the labour market and seem to make a better use of economic and employment opportunities in residing countries. Anecdotal evidence suggests that households in Kosovo usually identify the male migrant in the family as the main remittance sender which could imply that the contribution of women remitters is likely to be underestimated.

Although there is no empirical evidence to support this, the issue was raised during focus group discussions undertaken as part of the research for this report. When participants were asked about who supports the family from abroad, the name of a man was given in every case. However, when asked specifically if any women from the household that live

abroad contribute the answer was positive in about 80 percent of the cases and all participants agreed that women's contribution to remittances tends to be underestimated. However the overall amount of remittances sent by women (€ 1,100) is less than that sent by men (€ 1,600).

Traditional practices seem also to affect the final destination of remittances from women. As can be seen in Figure 5.7 Kosovan women tend to send remittance to in-laws implying perhaps that once married they begin to support their husband's family feeling less obliged to remit to their own parents.

FIGURE 5.7: TO WHOM MIGRANTS REMIT, BY GENDER



Source: World Bank 2009 Migration survey

In contrast to findings for other countries therefore, women migrants from Kosovo tend to play a much smaller role as remitters than men. This is not sufficiently explained by their lower employment ratio. Rather, traditional gender roles and affiliations also appear to affect this which raises the question of the need for appropriate policy interventions that might help remove barriers and increase the incentive for women migrants to send remittances.

5.2 FINANCIAL REMITTANCES IN WOMEN-HEADED HOUSEHOLDS

In this section, we use data from the 2011 UNDP Remittance Survey¹⁰² to investigate how remittances received by women headed households in Kosovo affect access to education, health, housing, and other aspects of wellbeing for this potentially vulnerable group. While remittances may bring positive effects they could also exert a negative impact on labour force participation, particularly for women who are also the head of the household. In Box 5.1 we conclude that most women heads of household in Kosovo are either widowed, have their husbands living abroad or are not married.

BOX 5.1: IN WHAT CIRCUMSTANCES IS A WOMAN STATISTICALLY CLASSIFIED AS HOUSEHOLD HEAD?

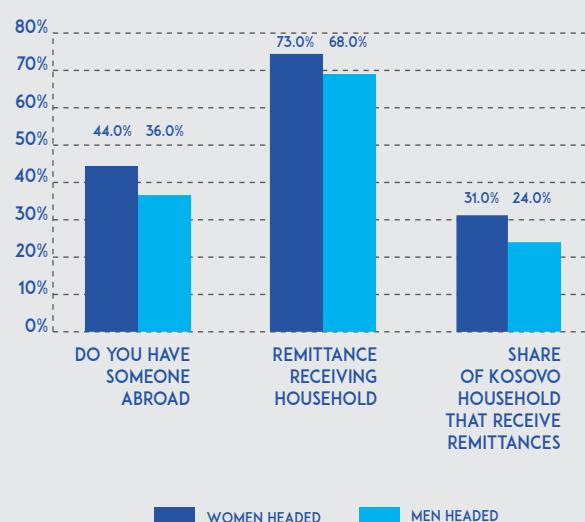
According to KRHS 2011 data, the majority of women household heads are married (57 percent); almost 30 percent are widows; 10 percent are not married; and 3 percent are divorced. Among married women headed households, 46 percent have a family member living abroad. Among that group, in 25 percent of cases the woman's husband is abroad. Thus most women heads of household are either widowed, have their husbands living abroad, or are not married, which indicates that a woman is considered a head of household mainly in cases when a man is not alive or at home.

According to official statistics, only 8 percent of households in Kosovo are headed by a woman.¹⁰³ However, data from the KRHS 2011 suggests a somewhat higher share of about 14 percent. Data from the same report reveals that women headed households with a migrant abroad are somewhat more likely to receive remittances (73 percent vs. 68 percent; Figure 5.8) and that in 13 percent of cases the husband is the remitter.¹⁰⁴

As shown in Table 5.4, remittances add on average € 150 to the monthly budget of the women headed households and € 124 on average to male headed households.

In the absence of remittances, income in male headed households is greater by almost € 30 per month. Educational level is lower for adults living in remittance recipient households and as can be seen in Figure 5.9 the difference is greater among women.

FIGURE 5.8: MIGRATION AND REMITTANCE RECEIPT, BY GENDER OF THE HOUSEHOLD HEAD



Source: UNDP-KRHS, (2011)

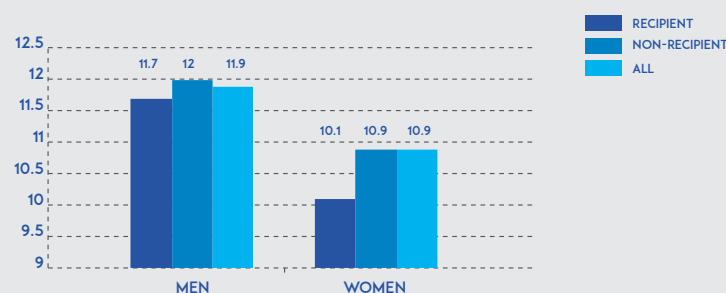
TABLE 5.4 CONTRIBUTION OF REMITTANCES TO MONTHLY INCOME, BY REMITTANCE RECIPIENT AND GENDER OF THE HOUSEHOLD HEAD

	Total monthly income excluding remittances		Total monthly income including remittances		Contribution of remittances to recipients
	Recipient	Non recipient	Recipient	Non recipient	
Women headed household	557	667	707	667	150
Men headed household	583	628	708	628	124

Source: UNDP - KRHS, (2011)

As shown in Figure 5.10, the majority of remittances are used for immediate consumption needs. Male head of households spend more on durables and slightly less on housing and human investments. Interestingly, women spend twice as much as men on business investments. These findings may suggest that women use remittances more often for human capital development and investment purposes. In some of the literature on migration the importance of remittances for development are discounted because they are partly spent on consumption. The 2009 Global HDR considers this criticism mistaken for two reasons:

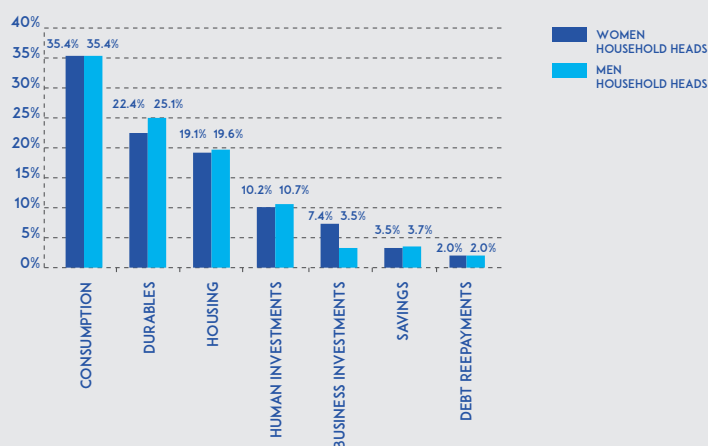
FIGURE 5.9: AVERAGE EDUCATIONAL ATTAINMENT (IN YEARS) OF ADULTS IN KOSOVO BY GENDER AND RECEIPT OF REMITTANCES



Source: UNDP - KRHS, 2011

Firstly, consumption is inherently valuable and often has long term, investment-like effects, especially in poor communities. Secondly, improvements in nutrition and other basic consumption items enhance human capital and hence future incomes.

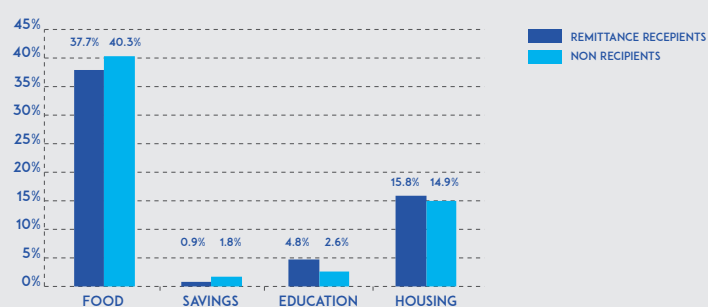
FIGURE 5.10: USAGE OF REMITTANCES BY THE GENDER OF THE HOUSEHOLD HEADS



Source: UNDP - KRHS, 2011

Figure 5.11 presents a somewhat positive picture in relation to the impact of remittances on female headed households from a human development perspective. In comparison, female headed households that receive remittances spend more on education, housing and savings than non-recipient households and less on consumption (i.e., food).¹⁰⁵ In part, this observation appears to reflect a higher number of children and young adults in secondary and tertiary education in remittance-receiving households leading to higher spending on education among this group.¹⁰⁶ The 2011 KRHS asked the respondents to rank their family situation in relation to education, housing, health and other aspects where a higher score indicated a more difficult situation. In Figure 5.12 we split responses to this question among remittance receiving and non-receiving women headed households.

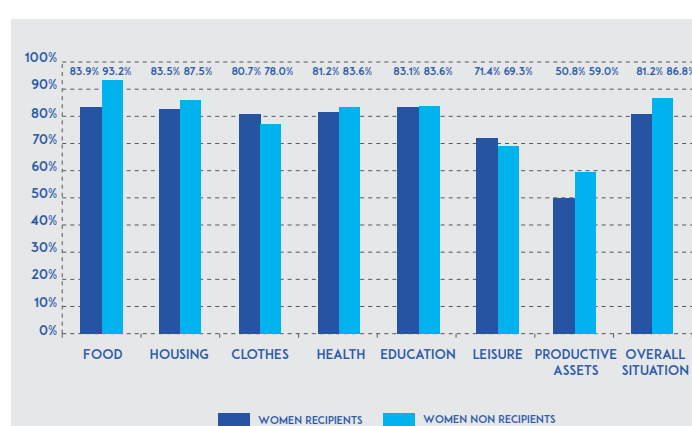
FIGURE 5.11: EXPENDITURE PATTERNS OF RECIPIENTS AND NON-RECIPIENTS, FEMALE HOUSEHOLD HEADS



Source: UNDP - KRHS, 2011

To a certain degree and even though women household heads that receive remittances are materially better off, they consider their situation less satisfactory than non-recipient households.

FIGURE 5.12: EVALUATION OF PRESENT SOCIAL-ECONOMIC SITUATION OF THE WOMEN HEADED HOUSEHOLDS, BY REMITTANCE RECEIPT

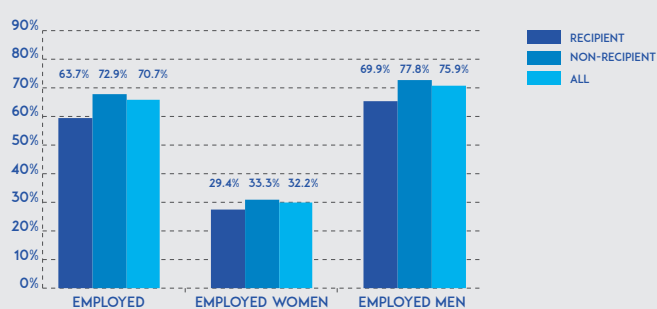


Source: UNDP - KRHS, 2011

In regard to healthcare and according to the 2010 KRHS fewer women heads of remittance recipient households (9 percent) find it difficult to meet the cost of seeing a doctor. However, the data suggests that gender-based differences are significant only for households in rural areas as in urban areas there are no gender-based differences in this regard. Literature suggests that migration can negatively influence labour force participation because members of remittance receiving households have less incentive to search for and find a job¹⁰⁷ while empirical studies have found that this might be more likely among women.¹⁰⁸

To examine whether this is the case in Kosovo and particularly whether remittances further reduce the already low participation of women in the labour force, we use KRHS 2011 data to compare employment, unemployment and the inactivity rate between households that receive and do not receive remittances. As can be seen in Figure 5.13, employment rates are lower among remittance recipients, regardless of gender. The share of receiving households looking for work is also lower compared to non-receiving households especially for women (Figure 5.14). One explanation for a greater inactivity rate among women in remittance receiving households is that women left behind have to take over more responsibilities for their children, elderly and other dependent household members.

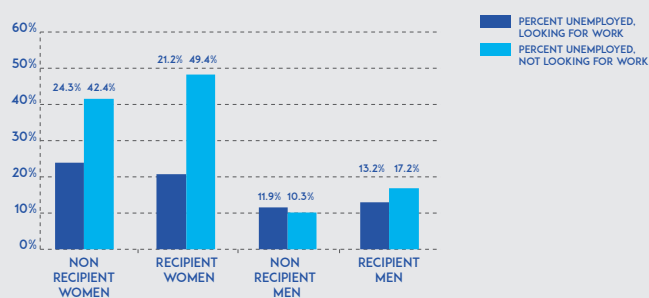
FIGURE 5.13: PERCENTAGE OF EMPLOYED HOUSEHOLD HEADS, BY GENDER AND RECEIPT OF REMITTANCES



Source: UNDP – KRHS, 2011

As discussed in Chapter 4, some studies suggest that remittances as a form of non-labour income raise the reservation wage of a potential worker and thus render it more likely that the household member will not look for work.¹⁰⁹

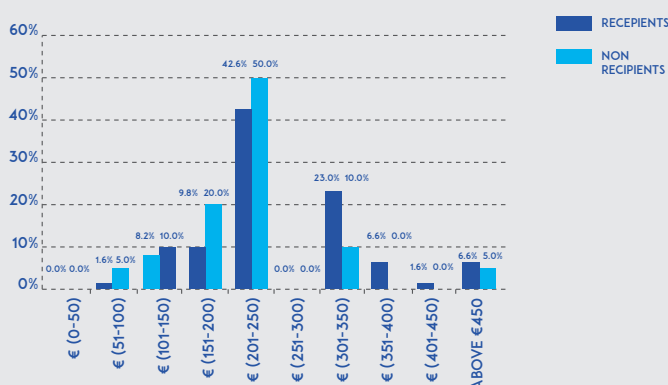
FIGURE 5.14: PERCENTAGE OF UNEMPLOYED HOUSEHOLD HEADS, BY GENDER AND RECEIPT OF REMITTANCES



Source: UNDP – KRHS, 2011

This appears to be borne out in the data presented in Figure 5.15 where more non recipient women headed households (approximately 85 percent) would accept a job for up to Euro 250 as opposed to just 60 percent of recipient counterparts.

FIGURE 5.15: RESERVATION WAGE FOR FEMALE HEADED HOUSEHOLDS



Source: UNDP – KRHS, 2011

5.3 SOCIAL REMITTANCES AND WOMEN LEFT BEHIND

Migration may also affect women left behind in Kosovo through social remittances such as values, ideas, behaviours, and practices that can be transferred by migrants from their host countries.¹¹⁰ Although considered important, social remittances are not as easily observed and quantified as financial remittances and to-date their impact has been largely ignored by studies in Kosovo.¹¹¹ For the purposes of this study a focus group was organized in order to gain a better understanding of whether the migration of husbands leads to greater decision making power for women, if (and how) the mind-sets of husbands change regarding gender roles, what happens when women left behind live with their in-laws, who decides how remittances are used, what is the impact for women left behind on their participation in the labour force, and how remittances affect human development overall.¹¹²

The focus group was composed of 13 women from Gjilan/Gnjilane, Kamenica and Podujeva all of whom are married with husbands abroad. Five out of the 13 participants live separately with children, and eight live with their husband's family. The group was quite diverse as it was composed of women with different educational backgrounds and also with different labour force statuses. Their husbands were in Germany, France, Switzerland and Slovenia. Eleven of the participants stated that their spouses have working permits in the country where they work while two were said to be without permits.

The majority of the participants were not employed which was mainly attributed to lack of jobs, rather than the absence of husbands. Nevertheless in some cases family responsibilities were cited as a barrier to employment with a higher burden for those living with in-laws who may require care as well. Asked whether their husbands motivate them to get a job, participants responded that husbands neither motivate nor hinder them but are aware of their many obligations at home. Asked what would be the minimum wage for which they would work, the responses ranged between 200 and 300 Euros which is just below the average wage in Kosovo which implies that women would prefer to work regardless of the fact that their husbands work abroad and send remittances. The focus group found that remittances have improved the quality of life and have had a positive impact on children's education.

Remittances are considered vital to finance not only the education of children but also that of spouses left behind. *'It would have been impossible with Kosovo salaries to bear study costs'* was a statement made by one participant. In relation to finance, participants generally agreed that their life is better due to the migration of their spouses, but emotionally participants felt the separation of the family was not worth the financial gain.

To understand whether living abroad in developed countries influenced the mind-set of men, participants noted that no change had occurred as their husbands were quite modern and being abroad had not changed them. Only two out of the 13 participants had visited their husbands abroad and they stated that the experience during these visits has positively influenced their emancipation and the way they think about gender roles. Most participants felt that being alone at home has increased their confidence and that they have greater decision making power. However, more responsibilities were also noted as being quite a burden.¹¹³ Managing families by themselves was also noted to be difficult, especially when children get older.

When the focus group participants that live with in-laws were asked which member of the family receives remittances and how decisions on their use are made, no common pattern was found. While in some cases the women received the money and decided how to spend it, in others the in-laws decided how the money was used, although focus group participants always had a say in this decision.

Participants living with their in-laws stated that they do not need to consult with their in-laws about their own lives, but they directly communicate and consult with their husbands as a matter of course. Nevertheless, some barriers were noted, especially in relation to leaving the house with participants reporting the need to inform their in-laws about any plans they might have to go out. *'If my husband was here that would not have been a problem'* was a statement of one participant. *'Our mentality requires that we consult with our in-laws. I cannot fully ignore my in-laws. This is a burden to me'* she added. Similarly the absence of a husband was also found to have an impact on the freedom of daughters at home. From responses, it was evident that when women live with their children only, girls are not very free to go out as mothers feel more fear and more responsibility than they might if their husbands were at home.

The freedom of daughters is even more curtailed when living with their in-laws since their grandparents do not understand their need to leave the house to socialise. In terms of how receiving remittances makes women feel, most respondents report that they would rather work themselves and have their own budget than have to ask for money and report on how it is spent.

To summarise, migration has contributed to enhancing the confidence and decision making power of Kosovan women left behind. Contrary to theoretical predictions, in Kosovo the migration of husbands does not push women out of the labour force, rather it is poor economic prospects that lead to high unemployment. When women live with their in-laws, decisions on how remittances are used are either made by the women or shared with in-laws. It seems that one negative consequence of migration is less freedom for women and daughters as mothers feel more responsibility towards their daughters and freedom is negatively influenced when there are grandparents in the family. Most women stated that their husbands were quite liberal prior to migration but some positive change is noted as a result of their living abroad.

5.4 IMPACT OF MOBILITY ON GENDER AND ELDERLY PEOPLE LEFT BEHIND

The impact of mobility on elderly relatives at home can be significant especially in societies where families traditionally live together and where there are weak social systems in terms of care for the elderly. A study conducted in Kyrgyzstan found that 62 percent of elderly respondents considered migration to be positive due for the most part to the financial support provided by the migrant. However, the report found also this support is sent only as long as the spouse and children of a migrant remain at home with the elderly person.¹¹⁴ Another study in Thailand found a negative impact where migration has resulted in some elderly people being left alone with less care provided.¹¹⁵ Since no studies of this nature have been conducted in Kosovo a focus group discussion was organized during which it was found that for some households' remittances from abroad are the main source of income. It was also revealed that remittances are sent primarily because of the presence of the elderly and that they will stop once parents are no longer alive.

In a few cases it was highlighted that siblings had agreed amongst themselves for one to stay to look after the parents and for one to migrate and send money home. In the majority of cases the elderly do not manage the money even though the lion's share of remittances (about 75 percent), are used for their benefit and mostly for healthcare. In some cases, the elderly also benefited from medical check-ups in migrants' host countries.

Migrants visit Kosovo two to three times a year, in part to visit elderly relatives. The presence of an elderly person was not found to affect the employment rate of household members as long as the elderly person is in good health. However, one participant expressed the feeling that taking care of parents is a sort of burden. It was also emphasized that the impact on labour force participation can be more pronounced among women since they bear the greatest burden in care-giving.

One group reported not being able to migrate because they could not leave the elderly all alone. It is generally considered inappropriate in Kosovo for the elderly to be looked after by someone other than family members – this is considered shameful and it rarely occurs. One participant stated that it would be good if there were nursing homes where the elderly can also find health care, companionship and entertainment. Family members looking after elderly in Kosovo reported being able to continue their studies with the financial support from migrants whilst also looking after their elderly relative.

In conclusion, these findings suggest that elderly people in Kosovo tend to benefit from migration: they are not left alone because family members negotiate how and who will take care of them, whilst they benefit financially from remittances.

KEY POINTS – CHAPTER 5

- Kosovo female migrants fare better in the labour market compared to Kosovan women. More women than men improved their education status while abroad, thus experiencing a greater human capital development. Since more women than men hold permanent status in the host countries, their potential to benefit from education, employment and social schemes is also greater. Most women speak at least one foreign language which contributes to greater integration. One new finding in this research is that women migrants play a much smaller role as remitters than men, which is not sufficiently explained by their lower employment ratio. Traditional gender roles and affiliations have been highlighted as one potential explanation.
- Data from the 2011 KRHS reveal that female-headed households are especially likely to have someone living abroad; furthermore, those that have a migrant abroad are somewhat more likely than similar male-headed households to receive remittances (73 percent vs. 68 percent). Remittances add € 150 on average to the monthly budget of the female headed households and € 124 on average to men headed households. While spending patterns do not differ much between women and male headed households, men spend more on durables and a little less on housing and human investments. Interestingly, women spend twice as much as men on business investments. These findings may suggest that women use remittances more often than men for human capital development and investment purposes.
- Remittances are associated with lower labour force participation and employment of women. One third of non-recipient women household heads are employed, compared to 29 percent of their recipient counterparts. Furthermore, the share of female household heads that are unemployed and not looking for a job (i.e. economically inactive) is seven percentage points higher among recipients of remittances. The share of female heads that are searching for jobs is also lower among remittance-receiving households. One possible explanation for higher “*economic inactivity*” rates among women in remittance receiving households is that women left behind have to take over more responsibilities for their children, elderly and other dependent household members.
- Migration and remittances may affect women left behind not only through financial, but also through social remittances: values, ideas, behaviours, and practices that can be transferred by migrants from their host countries to their countries of origin. Findings from focus groups discussions about women left behind confirm that migration has greatly contributed to the economic wellbeing of their families. While burdening them with familial responsibilities, migration has at the same time contributed to enhancing the confidence and decision making power of women left behind. When women live with their in-laws, decisions on how remittances are used are either made by the women or shared with in-laws. One negative consequence of migration may be less independence for daughters as mothers feel more responsibility towards their daughters and the freedom is negatively influenced when there are grandparents in the family.
- Through focus groups we have found that elderly people in need of care tend to benefit greatly from migration since their living costs and especially health costs are covered more easily and the financial burden of family members living with the elderly is reduced. We found that even if possibilities existed for other (care-giving) family members to migrate, they would forego this opportunity to care for their elderly relatives. In return, they may also benefit from remittances, such as for the purpose of continuing their education.

CHAPTER 6



6. REMITTANCES, MIGRATION AND ACCESS TO EDUCATION

Existing research shows an ambiguous relationship between remittances and educational outcomes.¹¹⁶ With this in mind, Section 6.1 of this Chapter analyses the relationship between migration and educational outcomes of those left behind in Kosovo on the assumption that remittances increase incomes, help to lift budgetary constraints and allow families to invest in education while Section 6.2 analyses migration and its impact on educational attainment with regard to remittances.

6.1 REMITTANCES AND EDUCATIONAL PARTICIPATION AT THE HOUSEHOLD LEVEL

In the aftermath of the conflict, the education system in Kosovo has faced many challenges and developments. Primary and lower secondary education (five and four years respectively) are compulsory and free of charge to all.¹¹⁷ Primary education begins when the child turns six. Upper secondary education is categorised into general and professional education and lasts three to four years; it is not mandatory but highly encouraged. Higher education is available in various universities and other public or private educational institutions. The Bologna system has been adopted since 1999 and the degrees offered include Bachelor, Master and PhD level qualifications. The Ministry of Education, Science and Technology is responsible for all issues related to education.

The Kosovo Remittances Study conducted in 2012 contains educational information for all household members, including data on children below 15 years of age (UNDP, 2012). For the purposes of this Chapter however the population of interest is youth, defined as individuals aged between 16 and 25 years, since this age group must decide between education (secondary schooling and university) and employment (at home or abroad).¹¹⁸

As can be seen in Table 6.1, educational attendance in secondary school is higher for both men and women in non-remittance recipient households as compared to those who receive remittances. Similar results were obtained for university education (Table 6.2).

TABLE 6.1 SECONDARY EDUCATION ATTENDANCE BY GENDER AND RECEIPT OF REMITTANCES INDIVIDUALS AGED 16-18

Age 16-18	Attending secondary education		Not attending secondary education	
	Men	Women	Men	Women
Recipient remittances	71.40%	58.40%	28.60%	41.60%
Non- recipients	80.80%	62.10%	19.20%	37.95%

Source: UNDP - KRHS (2012)

TABLE 6.2 UNIVERSITY EDUCATION ATTENDANCE BY GENDER AND RECEIPT OF REMITTANCES AGED 19-25

Age 19-25	Attending university education		Not attending university education	
	Men	Women	Men	Women
Recipient remittances	25.80%	15.10%	74.20%	84.90%
Non- recipients	28.90%	17.40%	71.30%	82.60%

Source: UNDP - KRHS (2012)

Findings from Table 6.3 show that a higher percentage of men in non-recipient households are employed in comparison to remittance recipient households 70.6 percent vs. 59.90 percent and the same is true for women (26.4 percent vs. 15.7 percent).

TABLE 6.3 EMPLOYMENT STATUS BY GENDER AND RECEIPT OF REMITTANCES FOR INDIVIDUALS AGED 19-25

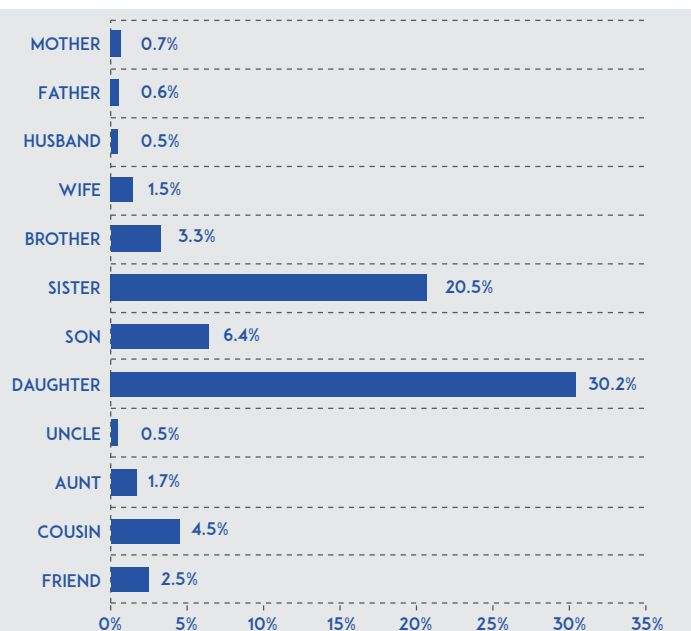
Age 19-25	Employed		Not employed	
	Men	Women	Men	Women
Recipient remittances	59.90%	15.70%	40.10%	84.30%
Non- recipients	70.60%	26.40%	29.40%	73.60%

Source: UNDP - KRHS (2012)

Further statistical analysis (Statistical Annex, p.81-83), shows that remittances in general are not considered significant predictors of educational attendance for people aged 16 -25 years in Kosovo. This is more influenced by factors including the presence of adults in the household, the education level of those adults and the amount of money available at the household level allocated to education. This was found to be true for both men and women. These findings are somewhat consistent with other studies which show that heads of non-remittance recipient households have, on average, completed one more year of education as compared to their remittance receiving counterparts.¹¹⁹ Most remittance receiving individuals reported that the remitter was either a son or older brother (Figure 6.1), the absence of whom has a negative impact on education attainment in two ways.

Firstly, it creates conditions for younger adolescent men to engage in activities not related to education and secondly it tends to put pressure on the remaining children at home increasing their level of family responsibilities with a negative effect on their educational aspirations.

FIGURE 6.1: RELATIONSHIP TO REMITTENT



Source: UNDP - Kosovo Remittances Survey, 2012

It is therefore difficult to find a direct relationship between remittances and increased educational attainment in Kosovo.¹²⁰ This might be because there is no such effect in Kosovo. Future research should pay attention to questions of education, including attendance and quality among families that receive and do not receive remittances.

6.2 MIGRATION AND EDUCATION

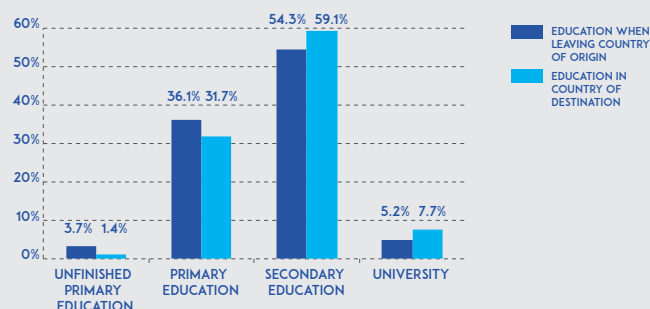
This section aims to examine the relationship between education and migration and specifically how migration affects the educational outcomes of migrants from Kosovo. Research shows that migration is likely to enhance educational attainment, especially among children, because migrant families want to provide better educational opportunities for their children.¹²¹ Other findings show that 22 percent of migrants from Kosovo obtained at least part of their education while abroad.¹²² It is important to distinguish between education acquired at home, before migration, and education acquired after migration.

This part of the report will focus on data gathered for a Migration Survey in 2009 undertaken by the World Bank, which contains information on migration and related socio-demographics.

Findings from the survey show that the migrants' educational level increases in the country of destination from the level they had when they left.

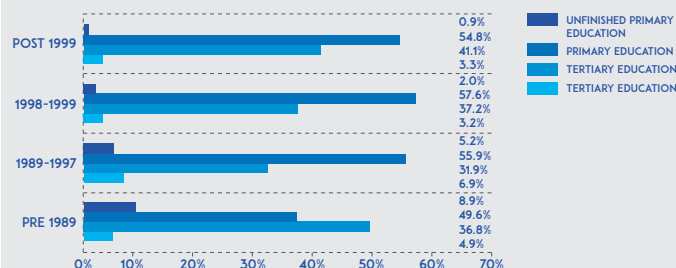
As can be seen in Figure 6.2, the percentage of individuals who had not completed their primary education dropped in the country of destination while the percentage of those who finished secondary and university education increased. Additional findings from the same survey show changes in educational attainment among migrants through the various waves of migration (see Figure 6.3).

FIGURE 6.2: EDUCATIONAL ATTAINMENT PRIOR TO AND AFTER MIGRATION



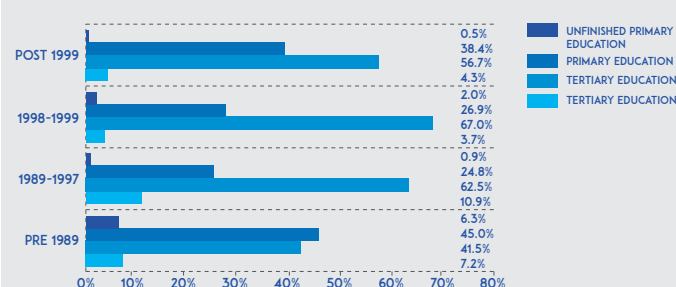
Source: World Bank Migration Survey, 2009

FIGURE 6.3 EDUCATIONAL ATTAINMENT OF MIGRANTS BEFORE LEAVING THEIR HOME COUNTRY THROUGH THE WAVES OF MIGRATIONS



Source: World Bank Migration Survey, 2009

FIGURE 6.4 EDUCATIONAL ATTAINMENT OF MIGRANTS IN THEIR HOST COUNTRY THROUGH THE WAVES OF MIGRATION



Source: World Bank Migration Survey, 2009

It is interesting to observe that the highest number of migrants with a university education migrated after the conflict. As noted in Figures 6.4 educational attainment in the host country improved for the most part across the waves of migration. While an average of just 2 percent of migrants reported educational purposes as their main reason to migrate (Table 6.4) the highest prevalence appeared in the post conflict period.

TABLE 6.4: MIGRATION FOR EDUCATIONAL PURPOSES THROUGH WAVES OF MIGRATION

Migration for educational purposes		
Waves of migration	Yes	No
(Pre- 1989)	0.0%	100.0%
(1989-1997)	0.9%	99.1%
(1998-1999)	3.4%	96.6%
(Post-1999)	3.0%	97.0%

Source: World Bank Migration Survey, 2009

More men than women gave education as the main reason to migrate (see Table 6.5) while the highest percentage of those who migrated for educational purposes are between 25-35 years old (Figure 6.5).

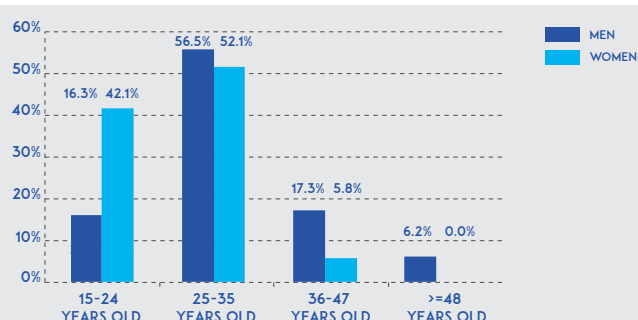
TABLE 6.5: MIGRATION FOR EDUCATIONAL PURPOSES BY GENDER

Waves of migration	Males	Females
(Pre- 1989)	0.0%	0.0%
(1989-1997)	69.7%	30.3%
(1998-1999)	61.0%	39.0%
(Post-1999)	62.0%	38.0%

Source: World Bank Migration Survey, 2009

Germany is the most common destination for migrants leaving for educational purposes (33.1 percent), followed by Switzerland (21.4 percent), see Figure 6.6. Moreover, 43 percent of households with a family relation living outside Kosovo reported educational benefits in knowing this migrant relation.

FIGURE 6.5: MIGRATION FOR EDUCATIONAL PURPOSES BY AGE



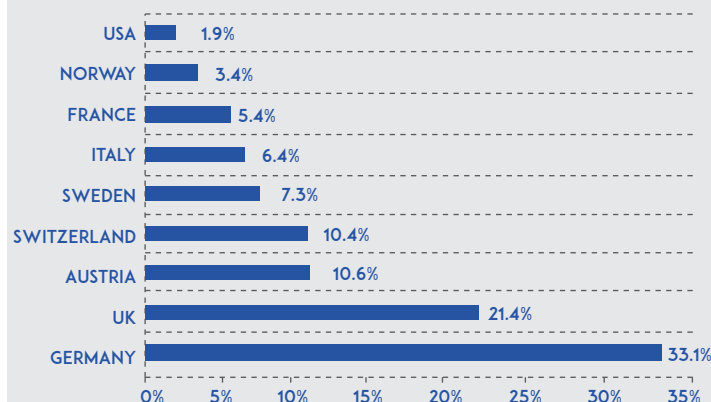
Source: World Bank Migration Survey, 2009

Findings from the same survey indicate that 43.8 percent of individuals who migrated for educational purposes have a job in their country of destination with an average monthly wage of approximately € 1600 per month which could indicate they secure lower paying jobs in their country of destination.

Despite the general lack of data, an e-survey conducted during April - May 2011 with 273 highly educated and skilled returnees provides some insight into this group despite the fact that only 83 respondents returned the questionnaire. The results indicate that most of the participants, (85 percent) were part of a scholarship scheme, while only 15 percent were self-financed. Moreover, 90.3 percent of the respondents were employed.¹²³

In summary, analysis has found evidence to suggest an improved educational attainment rate for migrants from Kosovo, especially those who left after 1999. In addition migration for educational purposes is mainly considered an option for young people (25-35 years old).

FIGURE 6.6: COUNTRIES OF MIGRATION FOR EDUCATIONAL PURPOSES



Source: World Bank Migration Survey, 2009

CHAPTER 7



7. REMITTANCES, MIGRATION AND ACCESS TO HEALTH CARE

In this Chapter, we focus on the impact of remittances on health(-care) expenditure. The section starts with an overview of the health system, followed by a review on the impact of remittances on health care expenditure amongst those left behind in Kosovo. The final part of the Chapter provides new findings regarding the intention to seek health services abroad (mobility) and the impact of remittances on health care expenditure.

7.1 HEALTH CARE IN KOSOVO

The Kosovo health care system is based on the previous Semashko model of healthcare delivery, similar to health systems utilized in the Soviet Union and Eastern Europe.¹²⁴ This model was characterised by a centralised and hierarchical system that faced many challenges including lack of skills and knowledge among health workers who were mostly poorly paid, a lack of equipment and inefficient and badly maintained facilities.¹²⁵ The 1999 conflict caused a significant amount of damage to the health infrastructure making this a very challenging period for Kosovo's already weak health system.

Today, public health care services in Kosovo include the Central University Clinical Centre in Prishtina/Priština, seven regional hospitals managed by the Ministry of Health, and a network of family medicine health centres managed by municipal authorities. In 2002, the Kosovo Health Reform was initiated with the support of international agencies and donors. The Health Sector Strategy 2010-2014 now serves as a guideline for the development of the Kosovo Health System - in line with the government's financial resources and based on the health priorities developed in order to achieve the Millennium Goals.¹²⁶ While a legal framework is now in place for the health care system in Kosovo implementation is lacking and much remains to be done. The Law on Health Insurance was approved only in 2014 and is expected to be implemented in the near future.

Percival and Sondrop (2011) in their case study on health sector reform in Kosovo showed that the external nature of reform together with the compressed time frame of reform, and weak state capacity have presented significant challenges.

Furthermore, as has been emphasized by Qosaj-Arenliu (2011) since it cannot function in isolation a health care institution reflects the political, economic and social system in which it functions. In Kosovo this system is strongly influenced by high unemployment rates, poverty and corruption. Besides, the current health system is funded mainly by tax revenues. Spending on health accounts for about 3 percent of the Gross Domestic Product, which covers only half the total cost with patients co-financing their care through out-of-pocket payments for necessary services.

The 2008 World Bank Study on Kosovo Health Reforms shows that patients contribute in the form of user fees, payment for drugs, and other services. Additionally, essential drugs are often not available in the family medicine centre or hospital pharmacies and patients have to purchase them in private pharmacies. As a result, the cost of drugs represents 65 percent of private health expenditure. Furthermore, the natural population growth in Kosovo at 18 net births per 1000 residents in 2011, is much higher than that of other countries in the region although a decreasing trend is noted of late.¹²⁷

7.2 PREFERENCE FOR TREATMENT ABROAD

The report for Public Health Reform conducted in 2011 finds that many Kosovans travel to other countries for healthcare services, due to distrust and a lack of confidence in the existing health system.¹²⁸ The Kosovo Mosaic Study (2012) shows a decrease in satisfaction from 2009 to 2012 with health care services in relation to the quality of staff, equality of treatment and access to medicines and supplies (p.82).¹²⁹

The Statistical Annex to this Chapter presents detailed results of analysis from studies on the use of health services abroad and the impact of remittances on health care expenditure at home. As discussed in the statistical analysis, from a total of 1,288 individuals interviewed in the Public Pulse VII survey about their choice of medical services, the majority (66 percent) reported that they sought treatment only in Kosovo (within the public or private sector).

However, the preference for treatment abroad can be predicted by ethnicity, specifically among K-Serbs and dissatisfaction with the services provided at the University Clinical Centre in Prishtina/Priština; and medication/pharmacy costs.

7.3 REMITTANCES AND HEALTH

Research shows that migration and remittances contribute to the health status of those left behind.¹³⁰

Monetary transfers or remittances can affect a family's health by relaxing liquidity constraints that would otherwise restrict access to health care.¹³¹

This seems to be the case also in Kosovo where evidence suggests that up to 17 percent of total remittances are allocated for health purposes.¹³² Families that receive remittances in Kosovo spend more on health care services than families that do not receive remittances.¹³³

Detailed analysis of available data as presented in the Statistical Annex to this report (p.81-83) indicate that remittances are allocated to health costs and they seem to increase the health expenditure of those left behind although they are not associated with travel abroad for health services.

KEY POINTS – CHAPTERS 6 & 7

- Simple descriptive statistics suggest that young people (16 –25 years old) are less likely to be in education if they are in a household that receives remittances.
- However, regression analysis shows that remittances do not affect the educational attendance of 16-25 year olds when other determinants are properly considered. Instead, the number of people in the household, average age of all household members and average educational level of all family members were more powerful in predicting education attendance.
- Migration for educational purposes increased after 1999, especially among young people (25-35 years old) and women.
- The educational attainment of migrants across different waves of migration improved in the country of migration (host country).
- Individuals from Kosovo consider medical treatment outside of Kosovo primarily because they are dissatisfied with services offered by Kosovo public health services or perceive that costs of medication are high. Kosovo-Serbs are especially likely to consider medical treatment outside Kosovo.
- Remittances appear to relax the budgetary constraints of families. Therefore households receiving remittances spend more on health expenditures compared to households that do not receive remittances.

CHAPTER 8



8. CIVIC ENGAGEMENT, SOCIAL REMITTANCES AND DIASPORA PARTICIPATION

The quality of governance in Kosovo is a key determinant of the prospects for human development.

Human mobility – including long-term migration, short-term travel abroad, and international linkages through migrant remittances – may affect the quality of governance in several ways. On the one hand, migrants often meet new and unfamiliar sets of values in their host countries transferring these to their families and friends back home in the form of ‘*social remittances*’.¹³⁴ For example, members of the Kosovan Diaspora in Western Europe experience the benefits of transparent public administration and high-quality public services on a daily basis which may lead them and their family members in Kosovo to expect the same and to engage in the political process to promote these values at home.

On the other hand, it has been argued that remittances allow governments to reduce the quality of public services. After all, households that receive remittances can purchase what once were public services and might therefore exert less pressure on politicians to use tax revenue for the public good. This theory has been used to rationalize the empirical observation that countries that receive a large amount of remittances tend to have a lower quality of governance.¹³⁵

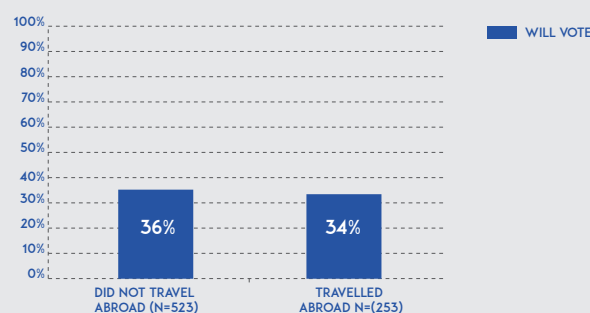
Against the background of these opposing hypotheses, we investigate what determines the willingness of Kosovan residents and members of the Diaspora to engage in the political and social process in Kosovo and to support human development through donations of time and money. In Section 8.1 we analyse how social and political activism in Kosovo depends on whether individuals belong to remittance-receiving households, have spent a significant time abroad, or have at least some travelling experience abroad. In 8.2, we discuss how the Diaspora is organised, how their members are integrated in host countries and societies, and how integration depends on the migrants’ education, migration generation, age, and other relevant variables, as well as their engagement in Kosovo. Finally, in Section 8.3, we examine the links between the migrants and their engagement in Kosovo and how this may potentially affect the transfer of social remittances as an important element for human development.

Our analysis in this Chapter is based on two data sources. In Section 8.1, we employ the 2012 UNDP Public Pulse dataset that includes particularly rich information on individuals’ social and political participation while in Section 8.2 we rely on the 2011 Kosovo Remittance Survey which is one of only a few sources of socioeconomic data on Kosovan migrants living abroad.

8.1 MOBILITY AND CIVIC ENGAGEMENT

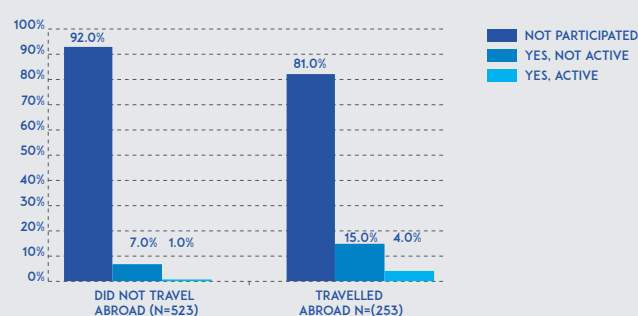
People may become involved socially and politically in various ways, including voting in elections, taking part in protests, participating in public meetings or community projects initiated by local government, participating in organizations such as political parties, NGOs, citizens’ or neighbourhood groups, or other local or religious initiatives. Analysis of available data shows that short-term migration is more likely to affect someone’s political and social involvement at home. Long term migration and living in a remittance receiving household do not seem to have such a significant effect in this regard. Figures 8.1 to 8.6 compare participation rates in various aspects of civic engagement among those who travel regularly and those who do not.

FIGURE 8.1: INTENTION TO VOTE AND TRAVEL EXPERIENCE ABROAD



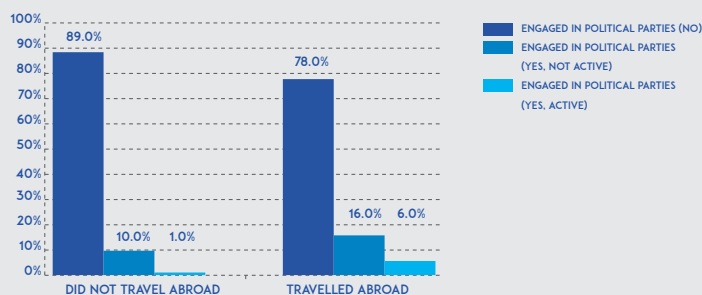
Source: Public Pulse database, (2012)

FIGURE 8.2: PARTICIPATION IN PROJECTS IMPLEMENTED BY LOCAL GOVERNMENTS ACCORDING TO PREVIOUS EXPERIENCE TRAVELLING ABROAD



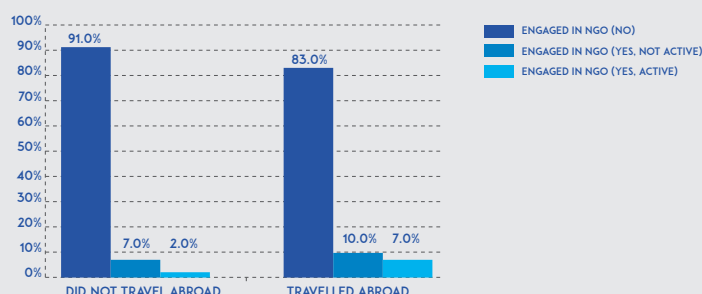
Source: Public Pulse database, (2012)

**FIGURE 8.3: ENGAGEMENT IN POLITICAL PARTIES
ACCORDING TO PREVIOUS EXPERIENCE
TRAVELLING ABROAD**



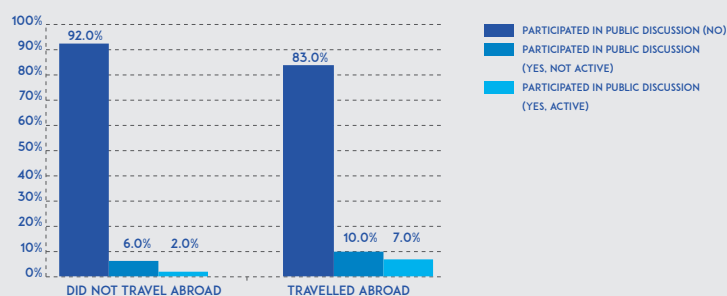
Source: Public Pulse database, 2012

**FIGURE 8.4: ENGAGEMENT IN NGOS ACCORDING TO
PREVIOUS EXPERIENCE TRAVELLING ABROAD**



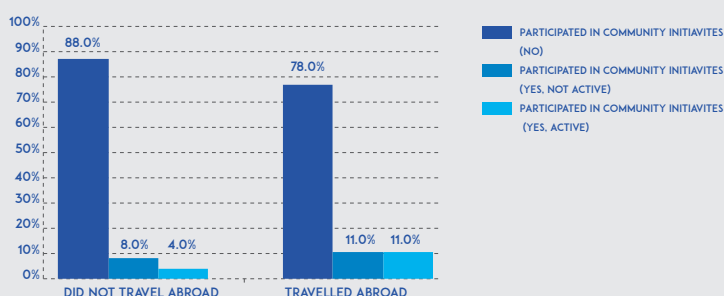
Source: Public Pulse database, 2012

**FIGURE 8.5: PARTICIPATION IN PUBLIC DISCUSSION
ACCORDING TO PREVIOUS EXPERIENCE TRAVELLING
ABROAD**



Source: Public Pulse database, 2012

**FIGURE 8.6: PARTICIPATION IN COMMUNITY INITIATIVES
ACCORDING TO PREVIOUS EXPERIENCE
TRAVELLING ABROAD**



Source: Public Pulse database, 2012

As can be seen apart from the likelihood to vote, regular travellers generally participate more in civic activities.

In conclusion, people's mobility seems to have varying impacts in their social and political participation in the host country but when expressed in terms of their travelling abroad (not necessarily for a long time-period), rates of participation seem for the most part to be positively affected by the experience.

8.2 DIASPORA PERSPECTIVES: ORGANISATION, INTEGRATION IN HOST COUNTRIES, AND ENGAGEMENT IN KOSOVO

8.2.1 DIASPORA ORGANISATION

The nature of Diaspora organisation¹³⁶ has changed significantly since the end of the conflict. During the 1990s the Diaspora was organised around branches of Kosovan political parties and humanitarian organisations that supported K-Albanian social and political activism both abroad and in Kosovo.¹³⁷ The entire Kosovo Government was in exile throughout the 1990s, and was financed in part by a 3 percent income tax. Since the Kosovan Diaspora at the time had higher income levels than those at home, they played a significant role in financing the Kosovo Government in exile and in many cases their contributions greatly surpassed the 3 percent income tax levy.¹³⁸

However, after 1999, the collective action of the 1990s was slowly replaced by individualism and a focus on family life. The associations that supported the liberation of Kosovo and humanitarian actions lost their "*reason of being*".¹³⁹ Today, most of the Diaspora considers that their current level of organisation is less satisfactory due to the opposing political groupings that emerged in Kosovo in the aftermath of the conflict.¹⁴⁰ According to a report that surveyed 1,091 visitors randomly selected at border points on the eve of the New Year Holiday of 2006/2007, over half of the respondents declared that they are not a member of any Kosovo related association.¹⁴¹ Currently, the Kosovan Diaspora is not only less involved in political issues at home, it lacks the capacities and proper organization that could put pressure on the relevant institutions in Kosovo (i.e. Ministry of Diaspora) to deal with Diaspora related concerns.¹⁴²

A total of 54 percent of the Kosovo Diaspora think that there should be better cooperation among the Diaspora clubs, Kosovo institutions and the NGOs; another 23 percent believe that the Diaspora clubs should be connected, while only 17 percent think that they should continue their engagement via political party factions.¹⁴² The latter is unsurprising given the clashes among various political groupings and the perceived problem of political clientelism.¹⁴³

The establishment of a central or umbrella organisation is seen by some as an opportunity to bring members of the Kosovan Diaspora together.¹⁴⁴

Kosovo's institutions have taken a number of steps to remedy these challenges. A Cultural Centre for Diaspora has recently opened in Istanbul with similar plans for Switzerland, Germany, France, and the United States.¹⁴⁵ In addition, a number of initiatives have recently been launched by the Government of Kosovo to stimulate Diaspora engagement and organisation¹⁴⁶ the impact of which is yet to be observed.

8.2.2 DIASPORA INTEGRATION IN HOST COUNTRIES

Unlike the first wave of migrants, the current generation (many of them born in host countries) are better integrated and more often engaged in the socio-political life of their host country.¹⁴⁷

In Switzerland, for instance, the impact of Kosovo migrants (one of the largest foreign communities in the country) on the political scene is increasing in the areas where their concentration is higher.¹⁴⁸

Some “*Swiss Kosovans*” have now been elected as regional representatives in cantonal institutions, which may represent a turning point in the political participation of Kosovo Albanians in the country.¹⁴⁹ In addition, Kosovo Albanians have begun to participate in syndicalism and civil society life, as witnessed in Bern where some participants have had leading positions in one of the main syndicalist organizations – UNIA.¹⁵⁰ Research suggests that political participation in host countries increases with the ability to speak the host country's language, along with duration of stay, education back-home, connections to social networks and labour markets¹⁵¹ which as noted in Chapter 6 of this report are things that most of the new generation of Kosovo migrants enjoy in their respective host countries. As noted in Box 8.1, Ylfete Fanaj a recently elected member of the Diaspora in Switzerland, considers Kosovan citizens' involvement and further integration in Switzerland as highly important.¹⁵² Osman Osmani, another politically active Kosovan migrant, notes that the more people are integrated the more they run for public offices and other activities in the host countries. In Switzerland there are around 100 Kosovans who have run for offices either on municipal or cantonal level, and very soon they will also be potential candidates in both legislative and executive branches at the federal level.¹⁵⁴

8.2.3 ENGAGEMENT IN KOSOVO

Before the declaration of independence in February 2008, the main institution that dealt with the Diaspora in Kosovo was a department within the Ministry of Culture, Youth, Sports, and Non-Residential Issues.

BOX 8.1: THE CASE OF YLFETE FANAJ – KOSOVAN SOCIO-POLITICAL ACTIVIST IN SWITZERLAND

In 2011, Ylfete Fanaj was elected to the Parliament of the Canton of Lucerne, continuing a political career that started in the City council of Lucerne. She is one of the first Kosovo Albanians to have reached this level of political office in Switzerland. The Canton of Lucerne is considered to be a very conservative place and Ylfete says it is difficult to judge whether the Albanians living in the canton helped her gather the 3,925 votes that got her elected. In her campaign, she did not target Albanians specifically, but ran on her Social Democratic Party's agenda.

Ylfete Fanaj was born in Prizren, Kosovo, in 1982. As the political situation in Kosovo deteriorated in the early 1990s, she moved to Switzerland with other members of her family to join her father who had gone there earlier as a seasonal worker. Ylfete quickly learned German and obtained her primary, secondary, and university level education in Switzerland. She earned her Bachelor's degree at the University of Lucerne, and is now finishing her Master's degree in Law at the same university (Ylfete Fanaj Web Biography).

BOX 8.2: THE CASE OF FATON TOPALLI – A FORMER MEMBER OF DIASPORA POLITICALLY ENGAGED IN KOSOVO

Faton Topalli was politically involved in Switzerland where he ran in cantonal elections of 2008 as a candidate of the Ecoliberal party in the Canton of Schaffhausen. Faton Topalli moved to Kosovo in 2010 and since then he has been a member of left leaning Vetëvendosje, a political party in Kosovo that promotes social democratic policies. In the central elections of 2010, Faton was among the 10 most voted for candidates in his political party which managed to get 12 out of 120 seats in the Kosovo parliament. Faton also ran for mayor of Ferizaj in extraordinary mayoral elections in April 2012 and came in third with 16 percent of the votes.

Faton Topalli was born in the village of Zllatar in 1963 and finished his primary and secondary education in Ferizaj/ Uroševac, Kosovo. He was one of the political activists who organized demonstrations in the early 1980s and fled Kosovo in 1981. He resided initially in Turkey and Germany and lived in Switzerland from 1983. Faton obtained both his bachelor's and master's degrees in social sciences in Switzerland and has taught at the Zürcher Hochschule für Angewandte Wissenschaften – ZHAW as an adjunct lecturer since 2007. He returned to Kosovo because he believes that Kosovo needs his involvement more than Switzerland (F. Topalli, Email communication, August 5, 2013)

Its mandate was to link networks of those that are not permanent residents in Kosovo, and to address the cultural needs of migrants and of returnees in Kosovo.¹⁵⁵ In 2008, this department was transformed into the Office for Diaspora and Migration under the auspices of the Prime Minister's office.¹⁵⁶

Since this did not significantly improve the relations between the Diaspora and Kosovo institutions, the Government of Kosovo established the Ministry of Diaspora in 2010 with a mandate to “*preserv[e] and cultivat[e] [...] national identity, language, culture and education of the Diaspora members and migration and their relations with institutions of Republic of Kosovo*”.¹⁵⁷ As noted above, Cultural Centres that enjoy diplomatic status and serve the Kosovo Diaspora are currently being established in several host countries.¹⁵⁸ In addition, Municipal Liaison Offices and Municipal Officers for Diaspora Affairs have also been established in 29 municipalities across Kosovo.¹⁵⁹

The recently created Assembly of the Albanians in Switzerland is an example of this new approach by the Kosovo Government toward the Diaspora. The Assembly has 100 members from different regions of Switzerland and has been involved successfully in projects with the Ministry of Diaspora in Kosovo and the Embassy of Kosovo in Geneva. It has also reacted against certain voices in Switzerland which have tried to attribute individual criminal acts committed by individual Kosovo Albanians to the entire Albanian community.¹⁶⁰

The Assembly consists of mostly young people, presumably second generation immigrants who were born and raised in Switzerland and whose professional background and social status enable them to act effectively as representatives of the Kosovo Albanian community.

In the last elections in Kosovo, just 1,042 Diaspora voters out of the around 300,000 eligible actually cast a vote.¹⁶¹ This is indicative of the fact that the current legislative framework in Kosovo makes it difficult for the Diaspora to vote.¹⁶² In addition and as witnessed during the last election process, those who wish to vote from abroad face cumbersome procedures before they cast their ballot.¹⁶³ The Ministry of Diaspora did, however, produce some recommendations on easing voting procedures for those willing to vote from abroad.

Ylfete Fanaj observes that facilitating the Diaspora to vote, should not be viewed merely as a token of appreciation for their past support during the struggle for independence, but more importantly as an incentive for members of the Diaspora to remain socially and politically involved in Kosovo.¹⁶⁴ Therefore, a more Diaspora voting friendly legislative framework and voting procedures, such as: enabling Diaspora members to vote in Kosovo embassies and consulates with a plan for the future introduction of electronic voting could significantly increase voter outcome among the members of Diaspora.

This would inevitably engage them in decision making processes and widen the channel through which experiences and knowledge about various policies that affect human development in general can flow.

Apart from political engagement in their country of origin, members of the Kosovo Diaspora have helped stimulate the “*brain gain*” from abroad. For instance, from 2002 to 2011, more than 70 Kosovo academics from abroad have given more than 140 guest lectures at the University of Prishtina/Priština, through a project financed by WUS Austria.¹⁶⁵ Although the idea of this project was not to facilitate the permanent return of these academics, several of them have already permanently returned and continue to teach in both public and private sector educational institutions. Similarly, a number of Kosovo Diaspora professors and researchers from the University of Vienna have established the Department of Computer Sciences at a private college in Prishtina/Priština, where students are able to study software engineering.¹⁶⁶ From a business perspective, a number of Kosovans working for major global telecommunications companies established a highly specialized telecommunications company in Kosovo that provides services to telecommunications carriers around the globe. Some of its founders also serve on its executive board.¹⁶⁷

8.3 TRANSFER OF DEMOCRATIC VALUES THROUGH DIASPORA

It is often believed that after having spent a significant time abroad, especially in western developed liberal democracies, migrants often adopt their respective host countries’ democratic values and help transfer them home. However, in Kosovo the positive impact of the political engagement of former members of the Diaspora especially in the post-conflict period is questionable.

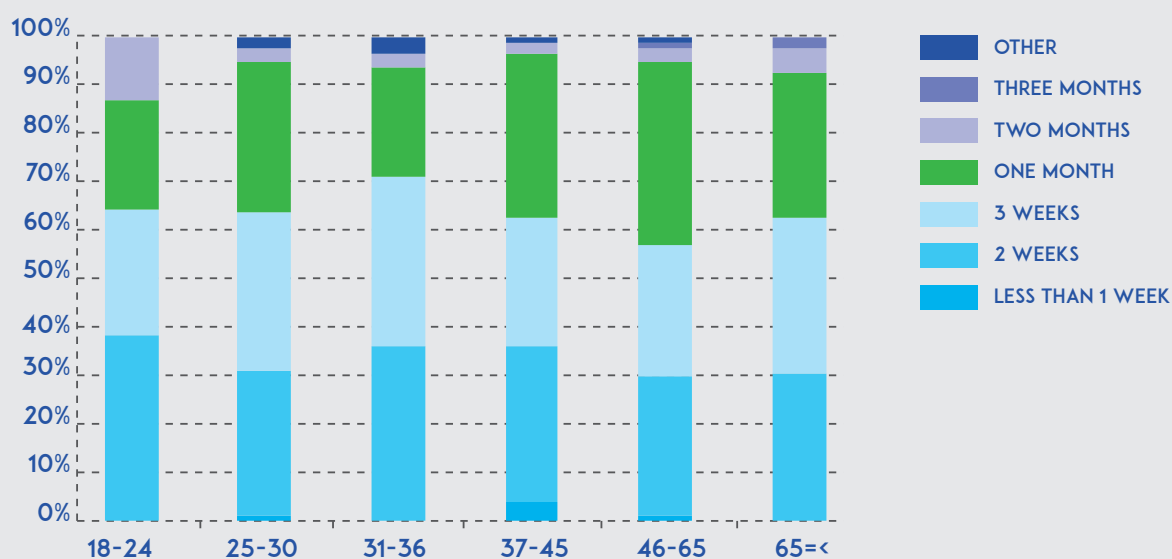
This is not to say that mobility, or the fact that they have spent significant time abroad has not helped the Diaspora transfer democratic values, rather the context in Kosovo has not actually allowed them to adopt those values, and thus make the desired impact on socio-political life. Many political activists in the Diaspora, especially those from the generation of migrants in the 1980s and 1990s returned to Kosovo and continued their political activities back home. This includes the current Prime Minister and the head of PDK, Mr. Hashim Thaci among others.

Despite their experiences of living in advanced Western democracies such as Germany or Switzerland for extended periods of time, there is little identifiable impact on the political process in Kosovo in terms of these returnees transferring democratic values. The Freedom House ‘*Nations in Transit*’ report (2004 to 2013) ranks Kosovo as a ‘*Semi-Consolidated Authoritarian Regime*’ with an average democracy score of 5.25 on a scale from 1 to 7, where a score of 1 to 2 indicates a consolidated democracy and a score of 6 to 7 indicates a consolidated authoritarian regime.¹⁶⁸ One likely explanation for why democracy in Kosovo has not yet been fully established despite the large number of returnees in high office is that, while abroad, these political activists were mostly concerned with the struggle for independence in Kosovo and had little time to absorb democratic values and processes.¹⁶⁹ Moreover, many of these migrants received income support meaning that they did not have to work or integrate into the host societies as they were working to remedy problems at home especially during the 1990s. As such, they did not have the opportunity to be challenged by and to gain knowledge from institutions of western developed democracies. This has most likely affected the ability of these officials (at least the aforementioned generation) to transfer meaningful democratic values to their birthplace.

Given that younger generations and the migrants that are part of the latest immigration waves have a tendency to be more educated, there is potential for them to fundamentally transform the value system in Kosovo. The involvement of Diaspora in decision making does not serve only as a bridge between the birthplace and the host country, but it also helps transfer democratic values.¹⁷⁰ That said many younger members of the Diaspora have started to view trips to Kosovo as both unnecessary and expensive and they are beginning to find more attractive and cheaper destinations for summer holidays.¹⁷¹ As can be seen in Figure 8.7, out of all 645 respondents who were asked about the average length of stay in Kosovo during the Kosovo Remittance Survey in 2011, only 5 percent fall within the 18-24 age group. More than half of the respondents, or 54 percent, that visit Kosovo are between 37 and 65 years old and the majority of them tend to stay from two weeks to one month. Moreover, focus group discussions in Switzerland and Kosovo confirmed that the cultural gap between the Diaspora and the non-migrant population in Kosovo is widening and both sides harbour many prejudices.

While the local population blames Diaspora members for portraying a bad image of Kosovo abroad and for “importing” negative behaviours from “the West”, members of the Diaspora are very critical about the “dependency” of their family members and the perceived incompetence of the local administration in Kosovo. In turn, local people blame Diaspora members for showing off their wealth during visits to Kosovo and thereby leading locals to expect more support, intensifying the dependency.¹⁷²

FIGURE 8.7: DURATION OF STAY IN KOSOVO ACCORDING TO AGE GROUP



Source: UNDP - Kosovo Remittance household Survey database, 2011

KEY POINTS – CHAPTER 8

- People's mobility seems to have varying impacts on their social and political participation in the host country. Those who have travelled abroad at least once during the past 12 months are more likely to participate in activities organised by local government and more likely to be engaged with political parties as well as NGOs. They are also more likely to participate in public discussions and take part in community-based-initiatives such as religious and neighbourhood initiatives.
- During the pre-conflict period, because of poor social circumstances and overall social and political marginalisation that was present in Kosovo, the members of Diaspora were much better organised and as a result unified in order to tackle and deal with circumstances in the place of origin. Conversely, in the post-conflict period, the organisation of Diaspora was still a reflection of the circumstances in the country of origin and mainly a reflection of divisions within the political scene at home.
- Considering the post-conflict changes in Diaspora organisation, Kosovo's institutions have taken a number of steps to remedy the challenges. Kosovo's Ministry of Diaspora has already opened a Cultural Centre in Istanbul and it plans to do the same in Switzerland, Germany, France, and the United States where the Kosovo Diaspora are predominantly located. Moreover, the Government of Kosovo has passed a regulation on drafting the register of migrants, associations, and other forms of their organisation, which among others shall include the number and geographic distribution of Diaspora and Migration; demographic structure; socio-economic characteristics of Diaspora households; and data for all the Diaspora associations, businesses, and other organisations.
- Members of the Kosovo Diaspora face many challenges when they decide to exercise their voting rights. For instance, in the last elections in Kosovo, out of around 300,000 eligible voters among the members of Diaspora, only 1,042 exercised their right to vote.
- Given that younger generations and the migrants that are part of the latest immigration waves have a tendency to be more educated, there is potential for them to be more integrated, and create a fundamental value transformation. The involvement of Diaspora in decision making serves not only as a bridge between the birthplace and the host country, but it also helps in transferring democratic values.
- The current generation of Diaspora, unlike the previous generations, tends to be organised more around professional and other interest groups, and thus, look less at their birthplace as a solution to their problems.

CHAPTER 9



9. POLICY RECOMMENDATIONS: ENHANCING THE CONTRIBUTION OF MIGRATION AND REMITTANCES TO HUMAN DEVELOPMENT IN KOSOVO

We have demonstrated in this report that international labour migration and remittances contribute to human development in Kosovo in diverse and substantial ways. The Diaspora is large relative to the resident population and remittances along with other Diaspora-related reserve inflows are large in relation to Kosovo's GDP. In this Chapter, we discuss the implications for policy interventions that may enhance the benefits of migration and remittances, address possible risks and contribute to human development in Kosovo.

9.1 THE LIMITS OF HUMAN DEVELOPMENT BASED ON MIGRATION AND REMITTANCES

We start with an important caveat. Throughout this report, we have focused on how migration and remittances contribute to human development. Without detracting from this important contribution, researchers have also long argued that large inflows of remittances may pose a risk to good governance and therefore to human development in the long run.¹ For example, individuals who receive remittances depend less on the provision of public goods as remittances afford them the opportunity to purchase (formerly free) government services (e.g., health). With high remittances, a new political economy equilibrium may arise where there is more corruption and less provision of government services, stifling long-term economic growth. It will be important for Kosovo to avoid such a scenario. Sustainable income growth for Kosovo's population in the long run cannot be based on remittances alone which are large and resilient to shocks, but unlikely to increase much more. While many Kosovans continue to emigrate and thereby expand their life choices, the high rates of unemployment and enforced economic inactivity demonstrate that emigration is not a solution for everyone. Some households in Kosovo are lifted out of poverty by remittances, but others remain in poverty.

Sustainable economic growth and human development thus require a sustained growth of output – e.g. Gross Domestic Product – as well as the effective provision of social assistance, education, and health care by the authorities.

As a precondition for economic growth in the context of a small, post-conflict economy, Kosovo needs to be integrated closely into European and global markets for goods, services, capital, and labour. For trade in goods, such integration is still hampered by Kosovo's land-locked geographic location and difficult relationship with Serbia. New transport links such as the highway to Albanian seaports provide relief as they become operational. Initially, investment in Kosovo will be particularly attractive in sectors that:

- process raw materials that would otherwise be exported from Kosovo;
- produce goods that can substitute for products that are currently imported; or
- provide services (including IT-related) where transport costs do not matter.

Investment and output growth are not only impeded by high international transaction costs. The business environment in Kosovo is still challenging for many domestic and foreign investors and hence a bottleneck for investment-driven, job-creating growth. Potential investors include migrants and recipients of remittances who may have funds to invest but currently face numerous uncertainties. Since the business climate will not improve overnight or by government fiat, it will be crucial in the short run to identify public and private investment projects that already work well, and to build on these experiences. On-going efforts by the Kosovo authorities to gather and disseminate information on investment opportunities in Kosovo to all potential investors – international, Diaspora, or domestic – are commendable. In the medium to long run however, rule of law and good governance of public policies remain key conditions for sustainable economic growth and human development.

Furthermore, Kosovo institutions and the private sector should consider how to use the Kosovo migrants and Diaspora on one hand for access to (international) markets, and on the other hand as ambassadors for Kosovo products and exports of services through activities such as international fairs, cultural events and by creation of Associations with Diaspora Businesses.

¹Abdih et al., 2008

9.2 SPECIFIC POLICY AREAS: SOCIAL WELFARE, EDUCATION, HEALTH (-CARE)

Targeted policy interventions are also required to protect vulnerable groups from poverty and promote human capital formation through universal access to education and health care.

In the area of **social welfare**, it is crucial that the government bear the responsibility to provide social protection to all the citizens of Kosovo, especially the most vulnerable groups, including single mothers, children, ethnic minorities, people with disabilities, the long-term unemployed, and the elderly. Currently, Kosovo's social protection system is limited in coverage and does not include an unemployment benefit. Although some politically popular benefits (old-age pensions, transfers to armed conflict veterans and people with disabilities), were increased by 25% in April 2014, the only benefit targeting to poor families - the Social Assistance Scheme – has not been increased since 2003 and is insufficient to cover even the minimum food needs of beneficiaries.² While the latest (2012) amendments to the legislation on social assistance include a small increase in child benefits, they also narrow the beneficiary base. Moreover, social and especially care services offered at both local and central level are often of low quality and are not integrated with employment services and social transfers for effective social inclusion of the most vulnerable and excluded individuals.

In the field of **education** (Chapter 6), our empirical findings reveal some uncertainty as to the policy-relevance of the observation that education attendance among young people between the ages of 16 and 25 years is somewhat lower in households that receive remittances. Our regression analysis suggests that this relationship is not robust if plausible control variables such as household size and the education level of adults in the household are taken into account. More research is needed to determine the strength of this relationship. However, it remains a cause for concern that the education system is less attractive for those young people with more financial means and potentially better employment prospects abroad. Against the background of very high youth unemployment, Kosovo needs an education system that provides students with a good general education (including in foreign languages and soft skills such

as communication, creative problem solving, strategic thinking, team building and the like that are in high demand by the private sector) and vocational training opportunities to generate a high return on the time spent in education. Kosovo's youth need to have skills that are relevant for work both in Kosovo and abroad because the economy of Kosovo may not be able to provide jobs for all young people entering the labour market during the coming years. The skills that are provided in the current higher education and vocational training system do not match global labour market needs; nor are they in accordance with the needs of Kosovo's labour market. Therefore, reform of the education system should start by identifying the professions as well as skills and abilities that are in short supply compared to the demands of the private sector. In the short term, public higher education institutions should invest in staff and facilities for programmes such as Natural Sciences and Applied Engineering and Information Technology. To date, most migrants from Kosovo were low skilled individuals who worked in the construction, hospitality and catering, and similar sectors in European countries.

Therefore, in the long term, considering its young population, Kosovo should explore the means through which it can supply highly skilled labour to the global market, in correspondence with developments in the information and technology sectors. Young women in Kosovo's rural areas are still less likely to attend university than young men, probably due in part to perceptions and expectations related to traditional gender roles. As the provision of equal opportunities to all is an important aspect of human development, Kosovo authorities, with donor support, may wish to consider measures that encourage young women to attend university either in Kosovo or abroad. Possible interventions include scholarships for women in subjects where they are particularly under-represented or other forms of support (such as mentoring by female leaders in specific professional areas).

Many students from Kosovo attend universities abroad. Kosovo students and those from the Diaspora who have post-graduate degrees should be encouraged to return (both for the short and long term) as academics or researchers in public and private universities. The Ministry of Education, Science and Technology may wish to consider establishing a web portal where students abroad could register,

² UNDP, 2014, p.7-17.

providing information about where they are, what subjects they study, degrees obtained, research interests and other relevant information.

Such a web portal would help facilitate the establishment of job fairs whereby private and public sector employers could get information on skills and contact details of graduates for possible engagement both for short-term assignments and longer term employment. This information would also underpin government policies in areas such as strategic planning for developing the university system in Kosovo and measures to deepen links between students abroad and Kosovo. The latter may include internships in Kosovo for either students abroad or Diaspora students; student exchange programmes (Erasmus-style) for Kosovo students and for international or Diaspora students; or long-term scholarships for Kosovo students abroad. Simultaneously, the students attending graduate and doctorate programmes in universities abroad should be encouraged to conduct (especially empirical) research on relevant policy areas for Kosovo to support evidence-based policymaking. For instance, the ministries and municipalities could use the web portal to publish requests for research on thematic areas where evidence to draft policies or strategic plans is lacking. Collaborative relationships such as this could help enhance various levels of government whilst also providing good experience and exposure to young students. The latter is especially important and could attract young professionals to work for Kosovan institutions in the future.

Promotion of student exchange programmes (e.g. Erasmus) is highly desirable. However, programmes of this nature should not be limited to university students. Vocational and professional training opportunities in Kosovo need to be expanded (see above) and exchange programmes for students in vocational training and for young workers could be helpful in this regard. The existing opportunities for vocational training abroad provided by at least one international Chamber of Commerce in Kosovo should be evaluated with a view to their possible scalability. For those young people with limited foreign language skills, exchange programmes might involve members of the Diaspora who could facilitate inter-cultural learning. By building contacts between potential investors abroad and Kosovo vocational students, future investment projects could also be facilitated.

In the area of **health(-care)** policy, it is imperative that access to basic health care of decent quality should not be limited to those who can afford large private co-payments (whether due to remittances or not). At present, the healthcare system in Kosovo does not provide sufficient high quality tertiary healthcare services so that many Kosovans go abroad for more complicated treatment or surgery. Travelling abroad to obtain medical care is inherently stressful to patients and costly to families. Kosovo authorities should continue to gradually expand the range of medical services offered in Kosovo whilst also facilitating treatment abroad when needed, for example through contracts with particular hospitals, provision of accommodation for family members accompanying patients, etc.

It is important that Kosovo public and private health institutions should look for possible ways to incentivise the Diaspora health practitioners to provide these services in Kosovo. This way, the treatment costs for patients and their families as well as the government will be lower. Simultaneously, this would provide an opportunity for transfers of skills and knowledge from Diaspora practitioners to their local colleagues in Kosovo. In this regard, the effort of the Ministry of Diaspora to establish Associations of Diaspora experts including medical practitioners who are willing to come to Kosovo and transfer their expertise is highly valued. The ongoing Registration of Diaspora undertaken by the Ministry is an additional and important initiative that will facilitate the identification of a wide range of experts who are willing to contribute to Kosovo's development.

Considering that the provision of high-quality medical care is subject to pervasive economies of scale, another option for Kosovo would be to further strengthen regional cooperation with neighbouring countries in the provision of highly specialised treatments. The Ministry of Health has recently signed bilateral agreements to facilitate skills transfer with countries such as Turkey which involve the organisation of events such as "*Health weeks Kosovo-Turkey*", through which Kosovan physicians had the opportunity to observe surgeries and other complex procedures. Similar initiatives should be replicated with other countries in the region as they are of significant merit. Diaspora members are beginning to use certain healthcare services (such as dental care) in Kosovo where quality service is provided at lower prices than elsewhere in Europe.

Opportunities for the provision of similar, additional services should be explored because an expansion of healthcare tourism in Kosovo, would benefit not only the Diaspora, but also the local population through spillover effects.

9.3 STRENGTHENING DIASPORA LINKS WITH KOSOVO

In this report, we have dealt with the (mostly beneficial) effects of financial remittances on households as well as with “social remittances” – i.e. the changes in values, attitudes, and behaviour among Kosovo residents that result from emigrants being exposed to another culture, adopting new cultural norms, and transferring them back to Kosovo residents (Chapter 8). In addition, international experience shows that some high-emigration countries receive “collective remittances” – i.e. financial or in-kind contributions from migrants to community projects. A variety of policy interventions – ranging from symbolic to practical – may help to enhance the Diaspora’s sense of identification with Kosovo and promote private, social, and collective remittances. Strengthening links with the Diaspora takes on added importance as many emigrants, especially among the second generation, are becoming well-integrated in their host countries. The intensity of their links with Kosovo will increasingly depend on whether they will accept the challenge of leading “*transnational*” lives – being fully integrated in their host countries while maintaining close links with Kosovo.

The Kosovo government may be able to support Diaspora activities that make trans-nationality more attractive, such as cultural events abroad, support for the teaching of Albanian to second-generation emigrants, etc. The on-going establishment of Kosovo cultural centres by the Ministry of Diaspora³ in major European cities is a useful step in this direction.⁴ In running the centres, it will be important to ensure that their activities cater to the needs of a broad range of emigrants and that Diaspora members play a leading role in running the centres. While many activities (such as language courses) can probably be self-financing, it is useful for the Kosovo authorities that are in charge of diplomatic missions to act as catalyst by setting up the centres.

Several recent initiatives by the Ministry of Diaspora promise to usefully complement the establishment of cultural centres. Networking activities for prominent Diaspora members and Kosovo representatives such as the planned Conference for Kosovan (Albanian) Diaspora to be held in Prishtina/Priština may help to establish the personal contacts that form the basis of all successful cooperations.

The National Council of the K-Albanian Diaspora, to be established after the ongoing process of founding professional networks has been concluded, will formally involve Diaspora representatives in the design of Diaspora-related policies and thereby make these policies more effective. Similarly, the planned creation of a network of expert advisors on migration and Diaspora may enhance the quality of the policy-making process and will help to mainstream migration into Kosovo’s development agenda.⁵ The Kosovo authorities’ National Strategy for Diaspora 2013-2018⁶ establishes a useful framework to develop all these policies further. The willingness of Diaspora members to spend time and money to support the social and economic development of Kosovo (collective remittances) will depend on whether they feel that their efforts are effective and valued by the authorities.

How effectively collective remittances are used depends in large measure on the quality of governance of public policies in general. As we have already pointed out when we discussed the investment climate in Kosovo (Section 9.1), good governance and the rule of law are preconditions for sustainable economic growth and human development.

A sense of appreciation for the Diaspora’s role in Kosovo may be conveyed by giving the Diaspora a formal representation in Kosovo’s parliament. Having a formal role in the policy-making process could assure Diaspora members that their views are taken into account/consideration and their contributions of time and money valued. Since several ethnic minorities in Kosovo are already guaranteed a fixed number of seats in parliament, there is a precedent that could also be applied to the Diaspora. However, since emigrants do not live in Kosovo and do not pay taxes, they are, for the most part, much less affected by legislative decisions so their represen-

³ <http://medrks-gov.net/wp-content/uploads/2013/03/Law-on-diaspora-and-migration.pdf> (20.07.2014).

⁴ <http://medrks-gov.net/cultural-centers/?lang=en> (24.07.2014).

⁵ cf. Point 6 on the Agenda for Action, High-level Dialogue on International Migration and Development, 3-4 October 2013.

⁶ <http://medrks-gov.net/wp-content/uploads/2013/09/Shqip-Strategjia-per-Diasporen-dhe-plani-i-veprimet-versioni-i-aprovuar-ne-Qeveri.pdf> (10.07.2014).

tation in parliament should be highly visible but ultimately symbolic: Diaspora representation in parliament should correspond to how members of the Diaspora are involved in and affected by Kosovo affairs. These considerations apply particularly to Kosovo-wide elections.

To promote collective remittances, many high-emigration countries have successfully implemented financing schemes for community investment projects that match private contributions by migrants or domestic households with government or donor funds. In addition to attracting international reserve flows, such schemes may also allow migrants to bring their managerial and technical skills to bear on community projects and to enforce high standards for the transparent use of their contributions. Similarly, there are many examples of Diaspora members working pro bono to contribute their special professional skills to public projects that promote socio-economic development, including university education and specialised medical services. Government and donor support for such initiatives would be appropriate.

Similar to the web portal that we have suggested for Kosovo students abroad (Section 9.2 above), a web portal for experts from the Diaspora to register their skills and availability for either pro bono or paid work could be developed. This would be one derivative of the Diaspora Registry that is currently being implemented by the Ministry of Diaspora.⁷ Given the large number of international experts working in Kosovo (from physicians who conduct difficult surgeries to economic consultants), it would be useful to ensure that Diaspora members are aware of these opportunities because they are particularly likely to cooperate effectively with Kosovo residents and to build durable professional relationships given their knowledge of the local language and traditional norms and values.

9.4 CREATING MORE OPPORTUNITIES FOR LEGAL MIGRATION AND MOBILITY

Since Kosovo's integration into European and global markets for goods and (to a lesser extent) services faces natural and political obstacles and will only proceed slowly (Section 9.1), labour migration will remain a key dimension of Kosovo's integration

into the European and global economy. At present, however, there are few legal migration opportunities other than family unification, studying abroad for those with the right qualifications and financial means, and jobs for some categories of high-skilled workers. Additional legal employment opportunities, particularly in Europe, would benefit not only the new emigrants, but would also help to alleviate unemployment and poverty and promote human development in Kosovo more broadly (as we have explained in Chapter 3).

Apart from long-term employment, even short-term travel to EU member states is often difficult for Kosovo residents because they still need a visa to enter the Schengen Area even for short stays. At the same time, Kosovo residents depend crucially on travel to the EU for better access to education and health care and to facilitate a wide variety of international economic transactions. Visa requirements generate unnecessary transaction costs and reduce the welfare particularly of those who depend most on international mobility. The authorities of Kosovo should work energetically to make progress on the implementation of the road map for visa liberalisation laid down by the EU to achieve the important milestone of visa-free short-term travel to the Schengen Area.

⁷ http://www.kosovodiaspora.org/?page_id=537 (04.07.2014).

KEY POINTS – CHAPTER 9

- Caveat 1: Migration and remittances, in and of themselves, will not lead to sustainable economic growth and human development in the medium to long run. Good governance of public policies and the rule of law are crucial for improving the investment climate and laying the foundation for sustained growth of output and incomes.
- Caveat 2: Targeted social assistance is needed to ensure that vulnerable individuals do not fall into poverty; education and health care need to be provided and financed in ways that make them accessible to all. Remittances cannot be relied upon to provide for all individuals in need.
- To make it easier for members of the Diaspora to maintain links with Kosovo while becoming fully integrated in their host countries, Kosovo authorities may implement a variety of measures that would facilitate maintaining links. Cultural centres abroad, networking events for prominent Diaspora members and Kosovo representatives, and the planned National Council of K-Albanian Diaspora may all help to strengthen Diaspora members' identification with Kosovo. To ensure wide involvement by the Diaspora, members of the Diaspora should play a key role in implementation of these activities.
- To convey a sense of appreciation for the contribution of the Diaspora to Kosovo's economic and social development, the Diaspora could be represented in the Kosovo parliament through reserved seats, similar to ethnic minorities.
- There is scope for extending exchange programmes for university as well as vocational students. These may involve summer internships in Kosovo for Diaspora and Kosovo students at universities abroad; periods of study abroad (Erasmus style) for Kosovo students and vice versa; or long-term scholarships for study abroad if recipients commit to working for Kosovo authorities after their studies.
- Diaspora contributions to social and economic development projects in Kosovo could be facilitated, with donor assistance, through matching funds from donors or other support. Involvement by Diaspora experts in Kosovo in areas like teaching, research, technological or business consulting, be it pro bono or paid, should be encouraged.
- Kosovo's enhanced progress would be greatly facilitated by more opportunities for labour migration and mobility throughout Europe. Potential host countries should consider creating additional opportunities for labour migration from Kosovo. To facilitate international mobility for study, work, medical treatment, and leisure, Kosovo authorities should energetically implement the roadmap set by the EU for visa liberalisation.

STATISTICAL ANNEX

A. STATISTICAL TABLES

These Tables correspond to the content of the report captured in chapters 2-8.

* Source: Authors' estimations are based on UNDP (2011) data.

OLS REGRESSION RESULTS: CONSUMPTION PER ADULT EQUIVALENT*

	Coefficient	t	P> t
Amount of Remittances	12.87	7.31	0.00
Household Income without remittances included	0.02	5.63	0.00
Peja/Peć	22.4	9.45	0.00
Ferizaj/ Uroševac	-6.77	-2.87	0.00
Gjakova/Đakovica	-14.36	-5.36	0.00
Gjilan/Gnjilane	13.7	5.9	0.00
Prizreni	24.34	10.49	0.00
Mitrovica	15.15	8.03	0.00
Average years of completed education	5.52	12.34	0.00
Dependency ratio	-4.36	-2.84	0.01
Household heads that have completed tertiary education	3.37	1.79	0.07
Household size	-5.8	-10.85	0.00
Rural	-2.89	-2.16	0.03
Male Head of Household	0.91	0.47	0.64
Working adult	15.9	10.19	0.00
Constant	33.49	5.62	0.00

OLS REGRESSION RESULTS: HEALTH EXPENDITURE PER ADULT EQUIVALENT*

	Coefficient	t	P> t
Amount of Remittances	2.21	5.36	0.00
Household Income without remittances included	0.00	0.3	0.76
Peja/Peć	3.25	6.31	0.00
Ferizaj/ Uroševac	0.78	1.81	0.07
Gjakova/Đakovica	-2.42	-4.92	0.00
Gjilan/Gnjilane	-0.35	-0.61	0.55
Prizreni	0.19	0.42	0.68
Mitrovica	0.24	0.64	0.52
Average years of completed education	-0.3	-3.1	0.00
Elderly Share	12.42	8.57	0.00

Household heads that have completed tertiary education	0.37	0.99	0.32
Household size	-0.47	-5.34	0.00
Rural	0.39	1.39	0.17
Male Head of Household	-1.13	-2.46	0.01
Working adult	-0.36	-1.23	0.22
Constant	11.11	7.57	0.00

OLS REGRESSION RESULTS: EDUCATION EXPENDITURE PER ADULT EQUIVALENT*

	Coefficient	t	P> t
Amount of Remittances	0.00	3.00	0.00
Household Income without remittances included	3.97	8.81	0.00
Peja/Peć	1.92	4.15	0.00
Ferizaj/ Uroševac	-0.10	-0.17	0.86
Gjakova/Đakovica	2.67	6.87	0.00
Gjilan/Gnjilane	7.46	14.98	0.00
Prizreni	6.52	17.95	0.00
Mitrovica	0.77	9.10	0.00
Average years of completed education	0.89	2.10	0.04
Household heads that have completed tertiary education	-0.01	-0.15	0.88
Household size	0.54	1.92	0.05
Rural	0.23	0.57	0.57
Male Head of Household	-0.24	-0.78	0.44
Working adult	-8.18	-8.33	0.00
Constant	-8.18	-8.33	0.00

OLS REGRESSION RESULTS: EDUCATION EXPENDITURE PER ADULT EQUIVALENT*

	Coefficient	t	P> t
Amount of Remittances	0.005	3.05	0.002
Peja/Peć	0.052	1.89	0.059
Ferizaj/ Uroševac	0.110	2.70	0.007
Gjakova/Đakovica	-0.005	-0.2	0.838
Gjilan/Gnjilane	0.039	1.28	0.199
Mitrovica	-0.016	-0.8	0.425
Prizreni	0.025	0.95	0.343
Household heads that have completed tertiary education	-0.017	-1.2	0.23
Household size	0.007	2.86	0.004
Total income	0.000	1.94	0.053
Rural	0.036	3.16	0.002
Average years of completed education	-0.005	-1.54	0.123

BINARY LOGISTIC REGRESSION FOR CONSIDERING HEALTH TREATMENT ABROAD (YES/NO)*

Considering treatment abroad as choice (yes/no)	
Explanatory variables	Odds ratios
Gender	
Default- Men	
Women	0.929
Age	0.985
Education	0.983
Employment status	
Default -Unemployed	
Employed	0.909
Marital status	
Default - not married	
Married	1.114
Ethnicity	
Default - K -Albanians	
K-Serbs	1.201*
Other	0.441
Number of visits per 12 months	1.006
Income	1.002
Satisfaction with family medicine centers	
Default - Yes	
No	2.194
Satisfaction with UCCP	
Default - Yes	
No	3.596*
Satisfaction with hospitals	
Default - Yes	
No	0.521
Costs at Public Health Care Services	1.001
Pharmacy/ education Costs	1.002*

BINARY LOGISTIC REGRESSION FOR CONSIDERING HEALTH TREATMENT ABROAD (YES/NO)*

Travelling abroad for health purposes (within 12 months)	
Explanatory variables	Odds ratios
Gender	
Default- Women	
Men	0.175*
Age	
Default: 18-24	
25-35	2.4
36-47	2.058
>48	18.61*
Education	1.082

Employment status	
Default -Unemployed	
Employed	3.078
Marital status	
Default - not married	
Married	1.338
Ethnicity	
Default - K -Albanians	
K-Serbs	13.438**
Other	5.067
Area	
Default Urban	
Rural	0.868
Personal income	0.997
Remittance recipients	
Default - No	
Yes	0.952

REGRESSION MODELS FOR HEALTH EXPENDITURES*

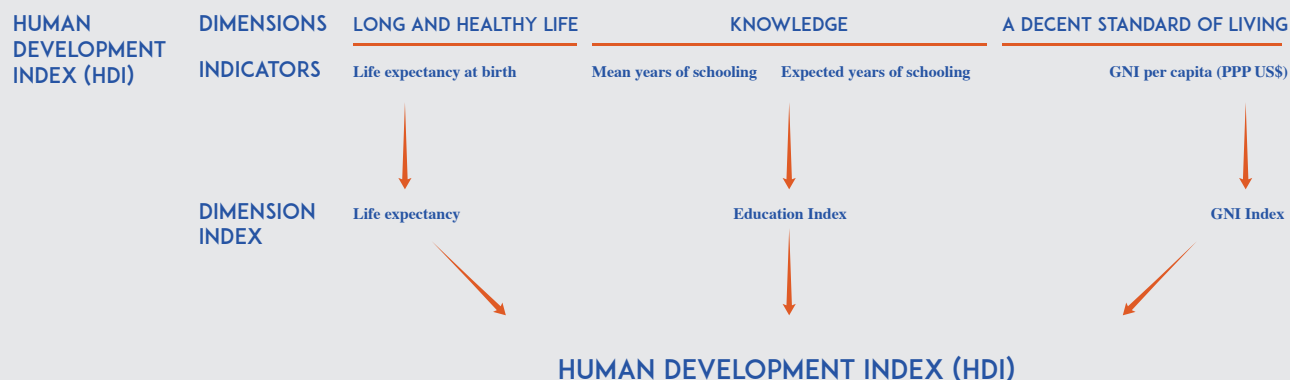
	Last month spent money on health purposes (YES/NO)	Amount in EUROS spent last month for health purposes
Explanatory variable	Odds ratio (S.E.)	Beta (S.E.)
Receiving remittances	1.227**	3.576**
(default - no)	-0.062	-0.328
Household characteristics		
Number of adults between 15 and 65 years old	1.072**	1.073**
	-0.019	-0.097
Mean years of completed education of all household members above 18	0.949**	-2.352
	-0.016	-0.076
Number of people not working in family	1.037	1.767*
	-0.042	-0.181
Region		
Rural	1.626**	-0.772
	-0.056	(0.02)
(default - urban)		
Economic situation		
Amount of money spent on food	1.002	0.070**
	-0.02	-0.003
Amount of money spent on education	0.999	0.089**
	-0.015	-0.003
Individual characteristics		
Gender		
Female	1.089	1.826
	-0.055	-0.002
(default - male)		
Age	1.009**	0.139**
	-0.002	-0.003
Number of observations	6016	6015

**LOGIT MODEL FOR EDUCATIONAL ATTENDANCE OF MEN
AND WOMEN AGED [16- 18] AND [19-25]***

Explanatory variable	Age 16- 18		Age 19-25	
	Odds ratio (S.E)		Odds ratio (S.E)	
	Men	Women	Men	Women
Remittances - yes	0.164	1.434	0.873	1.083
	-1.058	-1.038	-0.188	-0.196
(default - no)				
Household characteristics				
Number of adults between 15 and 65 years old	2.739**	5.069**	0.832**	0.789**
	-0.358	-0.623	-0.064	-0.067
Number of people working in household	0.322*	0.476	1.152	1.280**
	-0.507	-0.813	-0.103	-0.102
Number of people not working in the household	1.688	3. 575	1.129	1.356*
	-0.53	-1.19	-0.126	-0.14
Average age of all household members	1.165**	1.366*	0.98	1
	-0.055	-0.096	-0.014	-0.014
Mean years of education for all household members above 18	1.383*	1.828**	1.160**	1.152**
	-0.147	-0.301	-0.05	-0.059
Area of residence				
Urban	1.195	0.872	0.803	1.027
	-0.556	-0.992	-0.166	-0.178
(default - rural)				
Economic situation				
Amount of money spent on education	0.995	1.007	1.005**	1.001
	-0.003	-0.022	-0.004	-0.002
Savings	2.695	0.947*	0.999	0.988
	-0.011	-0.021	-0.002	-0.002
Transportation	1.082	1.029	0.999	1.001
	-0.846	-0.027	-0.002	-0.003
Household gender				
Men	1.082	7.259	1.057	0.747
	-0.846	-1.341	-0.239	-0.249
(default - Women)				
Employment				
Employed	0.774	0.096	1.38	1.494
	-1.272	-2.674	-0.203	-0.262
(default - not employed)				
Number of observations	382	365	696	574

B. HUMAN DEVELOPMENT INDEX FOR KOSOVO

Technical Note: Calculating the Human Development Index - Graphical presentation



The Human Development Index (HDI) is a summary measure of key dimensions of human development. It measures the average achievements in a country in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. The HDI is the geometric mean of normalised indices from each of these three dimensions. For a full elaboration of the method and its rationale, see Klugman, Rodriguez and Choi (2011). This technical note describes the steps used to calculate the HDI, data sources and the methodology used to express income.

Steps used to calculate the HDI

There are two steps to calculating the HDI.

Step 1. Creating the dimension indices

Minimum and maximum values (goalposts) are set in order to transform the indicators into indices between 0 and 1. The maximums are the highest observed values in the time series (1980–2012). The minimum values can be appropriately conceived of as subsistence values. The minimum values are set at 20 years for life expectancy, at 0 years for both education variables and at \$100 for per capita gross national income (GNI). The low value for income can be justified by the considerable amount of unmeasured subsistence and nonmarket production in economies close to the minimum, not captured in the official data.

Goalposts for the Human Development Index in this Report

Dimension	Observed maximum	Minimum
Life expectancy	83.6 (Japan, 2012)	20.0
Mean years of schooling	13.3 (United States, 2010)	0
Expected years of schooling	18.0 (capped at)	0
Combined education index	0.971 (New Zealand, 2010)	0
Per capita income (PPP \$)	87,478 (Qatar, 2012)	100

Having defined the minimum and maximum values, the subindices are calculated as follows:

$$\text{Life expectancy index} = \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum}} \quad (1)$$

For education, equation 1 is applied to each of the two subcomponents, then a geometric mean of the resulting indices is created and finally, equation 1 is reapplied to the geometric mean of the indices using 0 as the minimum and the highest geometric mean of the resulting indices for the time period under consideration as the maximum. This is equivalent to applying equation 1 directly to the geometric mean of the two subcomponents.

Because each dimension index is a proxy for capabilities in the corresponding dimension, the transformation function from income to capabilities is likely to be concave (Anand and Sen 2000).

Thus, for income the natural logarithm minimum and maximum values is used.

Step 2. Aggregating the subindices to produce the Human Development Index

The HDI is the geometric mean of the three dimension indices:

$$(I_{\text{Life}}^{1/3} \cdot I_{\text{Education}}^{1/3} \cdot I_{\text{Income}}^{1/3}).$$

Kosovo

Indicator	Value
Life expectancy at birth (years)	76.75
Mean years of schooling (years)	10.71
Expected years of schooling (years)	14.22
GNI per capita (PPP US\$)	9,446

Note: Values are rounded.

$$\text{Life expectancy index} = \frac{(76.75-20)}{(83.6-20)} = 0.895$$

$$\text{Mean years of schooling index} = \frac{(10.41-0)}{(13.3-0)} = 0.783$$

$$\text{Expected years of schooling index} = \frac{(14.21-0)}{(18-0)} = 0.789$$

$$\text{Education index} = \frac{\sqrt{0.783 \cdot 0.789 - 0}}{0.971 - 0} = 0.809$$

$$\text{Income index} = \frac{\ln(9446 \cdot 13.2) - \ln(100.2)}{\ln(87478.2) - \ln(100.2)} = 0.671$$

$$\text{Human Development Index} = \sqrt[3]{0.809 \cdot 0.895 \cdot 0.671} = 0.786$$

Data sources

- Mean years of schooling index: Remittance study 2012
- Expected years of schooling index: CENSUS 2012
- GNI (per capita) was calculated as: (GNDI (per capita) + GDP (per capita))/2
- GNDI (per capita) and GDP per capita: IMF
- Life expectancy at birth: KAS

METHODOLOGY USED TO EXPRESS INCOME

GNI is traditionally expressed in current monetary terms. To make GNI comparable across time, GNI is converted from current to constant terms by taking the value of nominal GNI per capita in purchasing power parity (PPP) terms for the base year (2005) and building a time series using the growth rate of real GNI per capita, as implied by the ratio of current GNI per capita in local currency terms to the GDP deflator.

Official PPPs are produced by the International Comparison Program (ICP), which periodically collects thousands of prices of matched goods and services in many countries. The last round of this exercise refers to 2005 and covers 146 countries. The 2011 round will produce new estimates by the end of 2013. The World Bank produces estimates for years other than the ICP benchmark based on inflation relative to the United States. Because other international organizations such as the World Bank and the International Monetary Fund (IMF) quote the base year in terms of the ICP benchmark, the HDRO does the same. To obtain the income value for 2012, IMF-projected GDP growth rates (based on growth in constant terms) are applied to the most recent GNI values. The IMF-projected growth rates are calculated in local currency terms and constant prices rather than in PPP terms. This avoids mixing the effects of the PPP conversion with those of the real growth of the economy.

ESTIMATING MISSING VALUES

For a small number of countries that were missing one out of four indicators, the HDRO estimated the missing value using cross-country regression models. The details of the models used are available at <http://hdr.undp.org/en/statistics/understanding/issues/>.

In this report the Policy, Research, Gender and Communication Team from UNDP Kosovo Office filled the gap by estimating the missing value using cross-country regression models. For example, the PPP conversion rates for Kosovo have been estimated as the average of Macedonia and Albania. The Table below shows Kosovo HDI with its components from 2013.

	Human Development Index (HDI)	Life expectancy at birth (years)	Mean years of schooling	Expected years of schooling	Gross National Income (GNI) per capita
Kosovo HDI 2013	0.786	76.7 (KAS, 2013)	10.7 (Remittance survey, 2013)	14.2 (Remittance survey, 2013)	9,446 (IMF, 2013) ³

³ <http://www.imf.org/external/pubs/cat/longres.aspx?sk=40810.0>

C. METHODOLOGICAL NOTE: HUMAN DEVELOPMENT INDEX FOR KOSOVO ON A MUNICIPAL BASIS

The Human Development Index was proposed back in 1990 in the first ever Global Development Report. The Index was really simple, but its intention was quite ambitious—to shift the global development debate from its narrow focus of economic performance, measured by GDP, to the more comprehensive measure of human progress. Over the last few decades the HDI has been recognised as an important, comprehensive and useful measure of progress. However, national level indicators are only useful for international comparisons, they cannot indicate the specific problems and priorities of a country. Domestic policy-making requires the disaggregation of these national level indicators to reveal their kind of intranational distribution. The global HDR attributes one average value of a composite index to all individuals living within a country. It indicates the “representative” individual. This average is with respect to education, life expectancy at birth and an average income independent of age. Since the individual has an income, she or he must be an adult. This representative adult, however, has no occupation, no sex and lives everywhere in the country. The reality is that individuals within a country are not all identical.

Locality, community and living environment are some of the main factors, which shape our lives. Therefore, it is no surprise that geographical disaggregation is one of the most frequent and most important approaches to measure human development. Disaggregated at sub-national level or for different groups HDI could show how (and why) different administrative units or groups within a country stand vis-à-vis each other, what the strengths and weaknesses are and hence what central and local governments priorities could be. From this perspective HDI disaggregation is not about the ranking of municipalities or groups but about the way each municipality has achieved its HDI value (good economic performance at the expense of health or good educational opportunities offsetting delays in other areas). HDI disaggregation helps local governments determine the areas/problems on which they should focus their policies.

Last but not least, as is the case with all statistical measures the HDI should be used with caution and always within a specific context. In practical terms calculating the HDI at a subnational level presents a number of the methodological challenges. While measuring human development at a subnational level is more interesting from a policy point of view, data issues at this level are more pronounced. On the one hand, when using a smaller population sample, the impact that random events have on the data is more likely to distort or overshadow systematic differences. On the other hand, indicators taken from subnational level data can also create distorted calculations if not carefully selected. For instance, an uneven geographical distribution of educational institutions could artificially affect enrolment rates, while in reality children from distant municipalities (where enrolment rates will be artificially lower) still have an opportunity to pursue a higher education in capital-based universities (where enrolment rates will be artificially higher).

While GDP measurements are not available at the municipality level, what we are really aiming to measure are ‘decent standards of living’, which can be proxied by other indicators. The municipality HDI makes use of the KMS of 2012 which was jointly funded by the USAID and the Norwegian government. It makes a number of assumptions, as described below. In general, indicators of municipalities were calculated by using Kosovo averages that were indexed using available proxies in the following way. Where X_i^* is an estimated indicator for municipality i , X is a average value for Kosovo, P_i is a value of proxy indicators for municipality i and P is an average value of a proxy indicator for Kosovo.⁴

$$X_i^* = X * \left(\frac{P_i}{P}\right)$$

HEALTH INDEX

Data on the life expectancy in Kosovo is available from “Statistikat e Vdekjeve 2012”. Due to the small size of municipalities in Kosovo, mortality data, even if it were available for Kosovo would be likely to skew life expectancy calculations. The Mosaic survey includes a number of questions related to health, but unfortunately none of them are on health outcome or output level. One available indicator is the affordability of health care,⁵ however, it has certain limitations.

⁴Strictly speaking, this assumes perfect correlation between the target indicator and proxy indicator, i.e. if the proxy indicator changes by $x\%$, the target indicator also changes by $x\%$. This potential risk is addressed by careful selection of proxy indicators (discussed below), which should have the same nature as the target indicator.

⁵Question Q-34. ‘Tell me, which of the following are affordable for your household? c) Expenses of treating a flu or any other minor illness of any family member’, scale Affordable, Not affordable

The data refers to current, temporary problems related to the ability to afford basic treatment, but says nothing about the long-term consequences of these problems. A better indicator, which was used for calculations in this report is the actual access to health care services.⁶ Calculations done at the municipal level, regarding individuals who experience significant barriers to health care access in 5 key areas (*distance, time, waiting time, cost of consultations, and cost of medicines*), were factored into calculations for the average life expectancy index.⁷ Such “hardcore” problems with access to health care will inevitably lead to long-term problems with health, captured through life expectancy. The value of three possible proxy indicators for health index are summarised in Table 2.

EDUCATION INDEX

The education index includes two components—the present status of education, captured by mean years of schooling, and the assumed future status of education, captured by expected years of schooling (which is calculated using enrolment rates). While the Mosaic survey captures information on the achieved level of education⁸ (though in a scaled lev-

el achieved format, not in actual years of education), the survey did not contain questions related to the current enrolment of children. Therefore, both expected years of schooling and mean years of schooling were indexed using the structure of achieved education weighted by assumed years of schooling for each level achieved. Data is summarised in Table 3.

INCOME INDEX

The income index is designed to capture and compare living standards of people. On the international level GNI per capita in purchasing power parity seems to be the best available indicator. However, on the municipal level, this indicator becomes irrelevant. The Mosaic survey database includes a variable for household per capita expenditures (in Euros per month), which was used as a proxy variable for indexing a national GNI indicator. As this indicator directly measures expenditures of households, it is a good proxy of living standards, providing local prices which do not differ significantly. Table 4 summarises the mean household per capita expenditures by municipalities, used for indexing GNI.

Table 1. Sample size of Mosaic 2012 survey by municipalities

Municipality	Freq.	Percent	Cum.
Prishtina/Priština	264	3.94	3.94
Mitrovica	304	4.54	8.48
Gjilan/Gnjilane	200	2.99	11.46
Peja/Peć	200	2.99	14.45
Prizren	240	3.58	18.03
Gjakova/Đakovica	200	2.99	21.01
Podujevë/Podujevo	200	2.99	24
Vushtrri/Vučitrn	200	2.99	26.99
Skënderaj/Srbica	200	2.99	29.97
Leposaviq/ Leposavič	200	2.99	32.96
Klinë/Klina	200	2.99	35.94
Istog/Istok	200	2.99	38.93
Deçan/Dečane	200	2.99	41.91
Dragash/Dragaš	200	2.99	44.9
Suharekë /Suva Reka	200	2.99	47.88
Rahovec/Orahovac	200	2.99	50.87
Viti/Vitina	200	2.99	53.85
Kamenicë/Kamenica	200	2.99	56.84
Lipjan	200	2.99	59.82
Shtime/ Štimlje	200	2.99	62.81
Ferizaj/ Uroševac	200	2.99	65.79

⁶ Question Q11. ‘On the last occasion you needed to see a doctor or medical specialist, how big of a problem, if any, were each of the following?’ (Scale from 1 to 4, whereby 1 means a very big problem and 4 means no problem at all). A. Distance to doctor’s office/ hospital/ medical centre; B. Time to get an appointment; C. Waiting time to be seen by the doctor on day of appointment; D. Cost of seeing the doctor; E. Cost of buying medicine.

⁷ Strictly speaking, we used reverse indicator, share of those who do not have very big problems in access to health care.

⁸ Question D1d. ‘Highest education level attained’ (for each household member older than 18): 1.None, 2.Unfinished primary, 3.Primary, 4.Secondary, 5.Higher School, 6.University.

Kaçanik/Kaçanik	200	2.99	68.78
Fushë Kosova/ Kosovo Polje	200	2.99	71.76
Obiliq/Obiliç	200	2.99	74.75
Novobërda/ Novo Brdo	96	1.43	76.18
Zubin Potok	104	1.55	77.73
Shtërpçë/ Štrpce	160	2.39	80.12
Zvečan /Zvečan	112	1.67	81.79
Glllogoc/ Glogovac	200	2.99	84.78
Malisheva/Mališevo	200	2.99	87.76
Junik	104	1.55	89.31
Mamusha/Mamuša	104	1.55	90.87
Hani I Elezit/Elez Han	104	1.55	92.42
Gračanica/Gračanica	200	2.99	95.4
Ranillug/Ranilug	104	1.55	96.96
Partesh/Parteš	104	1.55	98.51
Klllokoti/Klokot	100	1.49	100
Total	6,700	100	

Table 2. Proxy indicators of health at municipal level

Municipality	Affordable: can afford expenses of treating a flu or any other minor illness of any family member (Q34)	Experienced very big problem in all five aspects last time needed medical assistance (Q11)	Experienced big and very big problem in all five aspects last time needed medical assistance (Q11)
Prishtina/Priština	79	7	25
Mitrovica	80	1	13
Gjilan/Gnjilane	70	10	11
Peja/Peć	55	4	21
Prizren	76	5	13
Gjakova/Đakovica	52	7	18
Podujevë/Podujevo	67	5	10
Vushtrri/Vučitrn	76	2	7
Skënderaj / Srbica	90	6	21
Leposaviq/Leposavič	95	0	6
Klinë/Klina	47	6	15
Istog/Istok	51	0	10
Deçan/Dečane	38	5	23
Dragash/Dragaš	75	4	13
Suharekë /Suva Reka	79	9	15
Rahovec/Orahovac	45	18	35
Viti/Vitina	84	4	13
Kamenicë/Kamenica	61	2	6
Lipjan	45	2	9
Shtime/ Štimlje	51	4	10
Ferizaj/ Uroševac	51	1	7
Kaçanik/Kaçanik	56	0	8
Fushë Kosova/ Kosovo Polje	70	5	29
Obiliq/Obiliç	58	9	30
Novobërda/ Novo Brdo	61	1	19
Zubin Potok	95	2	15
Shtërpçë/ Štrpce	73	3	9
Zvečan /Zvečan	95	1	3
Glllogoc/Glogovac	69	11	25
Malisheva/Mališevo	66	10	24

Junik	64	2	33
Mamusha/ Mamuša	82	9	16
Hani I Elezit/ Elez Han	69	1	13
Gračanica/Gračanica	91	2	7
Ranillug/Ranilug	82	16	28
Partesh/Parteš	72	11	38
Klllokoti/Klokot	79	6	18
Total	66	5	16

Table 3. Structure of achieved education by municipality and assumed years in school for each level

Municipality	None	Unfinished primary	Primary	Secondary	Higher School	University
Prishtina/Priština	2%	5%	15%	47%	5%	25%
Mitrovica	3%	2%	26%	54%	5%	9%
Gjilan/Gnjilane	4%	4%	28%	52%	5%	7%
Peja/Peć	3%	8%	29%	47%	4%	9%
Prizren	3%	9%	44%	36%	2%	6%
Gjakova/Đakovica	5%	6%	43%	33%	5%	9%
Podujevë/Podujevo	5%	8%	25%	47%	3%	11%
Vushtrri/Vučitrn	3%	6%	24%	57%	3%	7%
Skënderaj/Srbica	6%	9%	25%	54%	2%	4%
Leposaviq/Leposavič	1%	5%	14%	58%	11%	11%
Klinë/Klina	9%	9%	30%	43%	3%	6%
Istog/Istok	5%	7%	28%	46%	2%	10%
Deçan/Dečane	4%	7%	30%	47%	3%	8%
Dragash/Dragaš	3%	9%	44%	36%	3%	6%
Suharekë/Suva Reka	7%	9%	35%	37%	3%	9%
Rahovec/Orahovac	5%	12%	42%	30%	3%	7%
Viti/Vitina	4%	5%	24%	52%	6%	10%
Kamenicë/Kamenica	10%	6%	28%	44%	4%	9%
Lipjan	6%	9%	26%	47%	3%	9%
Shtime/Štimlje	6%	9%	33%	46%	1%	4%
Ferizaj/ Uroševac	7%	12%	27%	44%	2%	7%
Kaçanik/Kaçanik	4%	8%	31%	48%	2%	7%
Fushë Kosova/ Kosovo Polje	6%	4%	20%	54%	2%	13%
Obiliq/Obilič	5%	8%	22%	56%	4%	5%
Novobërda/ Novo Brdo	4%	8%	31%	49%	6%	3%
Zubin Potok	0%	4%	9%	69%	11%	6%
Shtërpçë/Štrpce	2%	9%	25%	51%	8%	5%
Zvečan /Zvečan	2%	3%	9%	59%	16%	12%
Glllogoc/Glogovac	4%	5%	27%	53%	4%	7%
Malisheva/Mališevo	3%	6%	47%	36%	2%	5%
Junik	7%	7%	48%	30%	2%	6%
Mamusha/ Mamuša	6%	15%	61%	15%	1%	2%
Hani I Elezit/ Elez Han	3%	13%	33%	44%	1%	5%
Gračanica/Gračanica	1%	5%	13%	74%	3%	4%
Ranillug/Ranilug	4%	2%	23%	56%	11%	3%
Partesh/Parteš	8%	4%	25%	52%	8%	2%
Klllokoti/Klokot	14%	3%	20%	36%	17%	10%
Total	5%	7%	31%	45%	4%	8%
Assumed years in school	0	2	4	9	12	15

Table 4. Mean household per capita expenditures by municipality

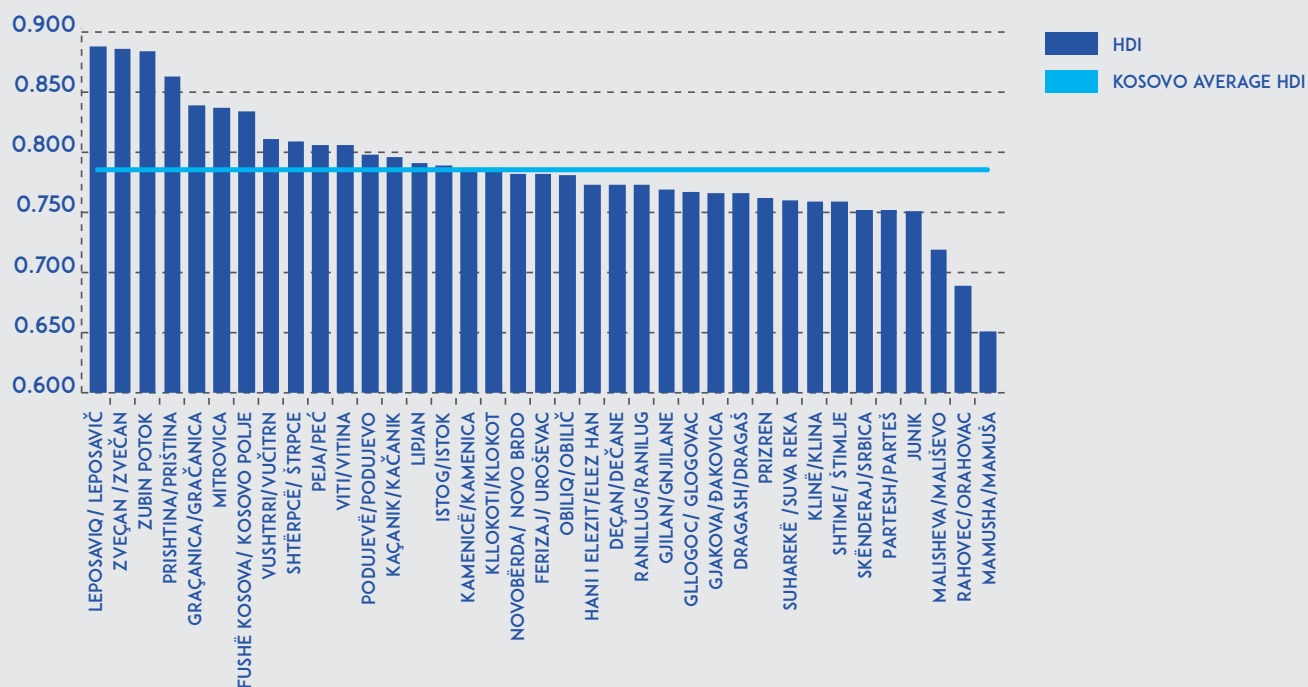
Municipality	Mean household per capita expenditures, euro per month	Lower bound	Upper bound
Prishtina/Priština	148.7	131.1	166.2
Mitrovica	87.5	78.6	96.4
Gjilan/Gnjilane	61.1	55.7	66.5
Peja/Peć	87.8	79.4	96.2
Prizren	87.6	77.5	97.8
Gjakova/Đakovica	82.3	70.8	93.8
Podujevë/Podujevo	76.3	67.4	85.1
Vushtrri/Vučitrn	71.5	63.0	80.0
Skënderaj/Srbica	54.0	47.1	60.9
Leposaviq/Leposavič	139.1	126.6	151.6
Klinë/ Klina	75.1	68.1	82.1
Istog/Istok	56.3	52.0	60.6
Deçan/Dečane	60.6	55.8	65.4
Dragash/Dragaš	80.6	74.8	86.3
Suharekë /Suva Reka	88.9	79.7	98.0
Rahovec/Orahovac	65.1	59.9	70.3
Viti/Vitina	62.7	54.2	71.2
Kamenicë/Kamenica	74.6	67.5	81.7
Lipjan	71.8	65.7	77.9
Shtime/ Štimlje	67.3	61.0	73.6
Ferizaj/ Uroševac	74.7	66.6	82.7
Kaçanik/Kaçanik	71.0	65.4	76.7
Fushë Kosova/ Kosovo Polje	99.3	86.4	112.2
Obiliq/Obilič	79.1	72.8	85.4
Novobërda/ Novo Brdo	66.6	58.2	75.0
Zubin Potok	148.1	133.0	163.2
Shtërpçë/ Štrpce	80.3	72.0	88.7
Zveçan /Zvečan	143.5	125.3	161.7
Glllogoc/Glogovac	66.3	61.3	71.2
Malisheva/Mališevo	57.9	52.1	63.7
Junik	82.4	72.6	92.1
Mamusha/ Mamuša	60.6	51.9	69.3
Hani I Elezit/ Elez Han	76.5	66.8	86.2
Gračanica/Gračanica	81.1	74.3	88.0
Ranillug/Ranilug	87.2	75.1	99.4
Partesh/Parteš	62.7	57.2	68.2
Klllokoti/Klokot	63.7	54.0	73.5
Total	79.0	77.4	80.6

Table 5. HDI and its components on Kosovo Municipal Basis

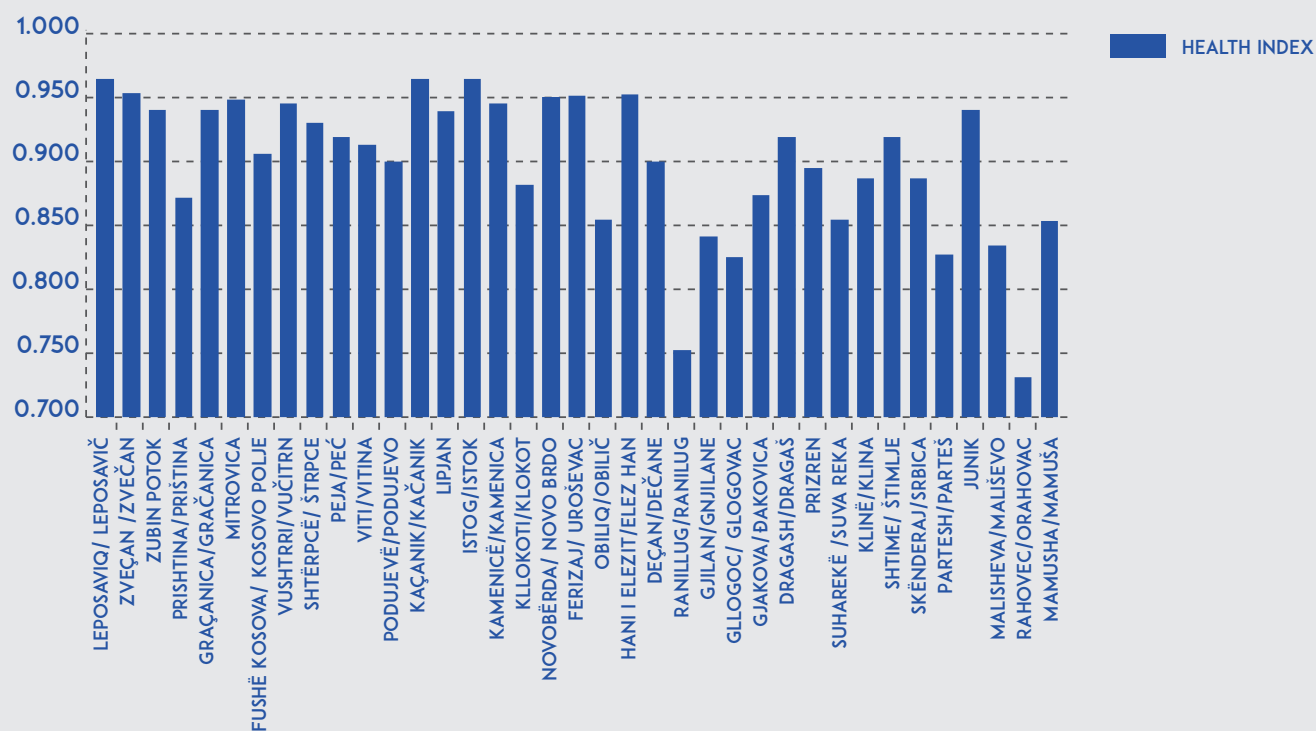
Municipality	Health Index	Education Index	Income Index	HDI	Health	Education		Incomes
					Life expectancy, years, estimated	Mean years of Schooling	Expected years of schooling	GNI per capita (\$) PPP, estimated
Prishtina/Priština	0.869	0.971	0.765	0.864	75.1	13.3	18.0	17,772
Mitrovica	0.944	0.908	0.686	0.838	79.9	11.7	15.9	10,460
Gjilan/Gnjilane	0.839	0.859	0.633	0.770	73.2	11.1	15.1	7,306
Peja/Peć	0.916	0.837	0.687	0.807	78.1	10.8	14.7	10,492
Prizren	0.891	0.725	0.687	0.763	76.5	9.3	12.7	10,475
Gjakova/Đakovica	0.871	0.764	0.677	0.767	75.2	9.8	13.4	9,839
Podujevë/Podujevo	0.897	0.855	0.666	0.799	76.9	11.0	15.0	9,116
Vushtrri/Vučitrn	0.941	0.866	0.657	0.812	79.7	11.1	15.2	8,551
Skënderaj/Srbica	0.883	0.786	0.615	0.753	76.0	10.1	13.8	6,456
Leposaviq/Leposavič	0.960	0.971	0.755	0.890	80.9	12.9	17.6	16,631
Klinë/ Klina	0.884	0.748	0.664	0.760	76.0	9.6	13.1	8,978
Istog/Istok	0.960	0.827	0.621	0.790	80.9	10.6	14.5	6,731
Deçan/Dečane	0.897	0.818	0.632	0.774	76.8	10.5	14.4	7,242
Dragash/Dragaš	0.915	0.731	0.674	0.767	78.0	9.4	12.8	9,630
Suharekë /Suva Reka	0.852	0.750	0.689	0.761	74.0	9.6	13.2	10,625
Rahovec/Orahovac	0.731	0.699	0.643	0.690	66.3	9.0	12.3	7,781
Viti/Vitina	0.909	0.907	0.637	0.807	77.6	11.7	15.9	7,499
Kamenicë/Kamenica	0.941	0.785	0.663	0.788	79.7	10.1	13.8	8,916
Lipjan	0.935	0.810	0.657	0.792	79.3	10.4	14.2	8,585
Shtime/ Štimlje	0.916	0.739	0.648	0.760	78.1	9.5	13.0	8,049
Ferizaj/ Uroševac	0.947	0.763	0.663	0.783	80.1	9.8	13.4	8,928
Kaçanik/Kaçanik	0.960	0.804	0.656	0.797	80.9	10.3	14.1	8,493
Fushë Kosova/ Kosovo Polje	0.903	0.915	0.705	0.835	77.2	11.8	16.1	11,871
Obiliq/Obilič	0.851	0.836	0.672	0.782	74.0	10.7	14.7	9,460
Novobërda/ Novo Brdo	0.946	0.787	0.646	0.783	80.0	10.1	13.8	7,958
Zubin Potok	0.936	0.971	0.764	0.886	79.3	13.1	17.8	17,708
Shtërpçë/ Štrpce	0.926	0.852	0.674	0.810	78.7	10.9	14.9	9,604
Zveçan /Zvečan	0.949	0.971	0.760	0.888	80.2	13.3	18.0	17,155
Glllogoc/Glogovac	0.823	0.852	0.645	0.768	72.2	11.0	15.0	7,921
Malisheva/Mališevo	0.832	0.718	0.626	0.720	72.7	9.2	12.6	6,921
Junik	0.936	0.671	0.678	0.752	79.3	8.6	11.8	9,845
Mamusha/ Mamuša	0.850	0.515	0.632	0.652	73.9	6.6	9.0	7,245
Hani I Elezit/ Elez Han	0.948	0.735	0.667	0.774	80.1	9.4	12.9	9,143
Gračanica/Gračanica	0.936	0.938	0.675	0.840	79.3	12.1	16.5	9,700
Ranillug/Ranilug	0.752	0.899	0.686	0.774	67.7	11.6	15.8	10,430
Partesh/Parteš	0.825	0.810	0.637	0.753	72.3	10.4	14.2	7,498
Klllokoti/Klokot	0.878	0.870	0.640	0.788	75.7	11.2	15.3	7,617
Kosovo average	0.895	0.810	0.671	0.786	76.75	10.4	14.2	9,446

Graphical Presentation of HDI and its components on Kosovo Municipal Basis

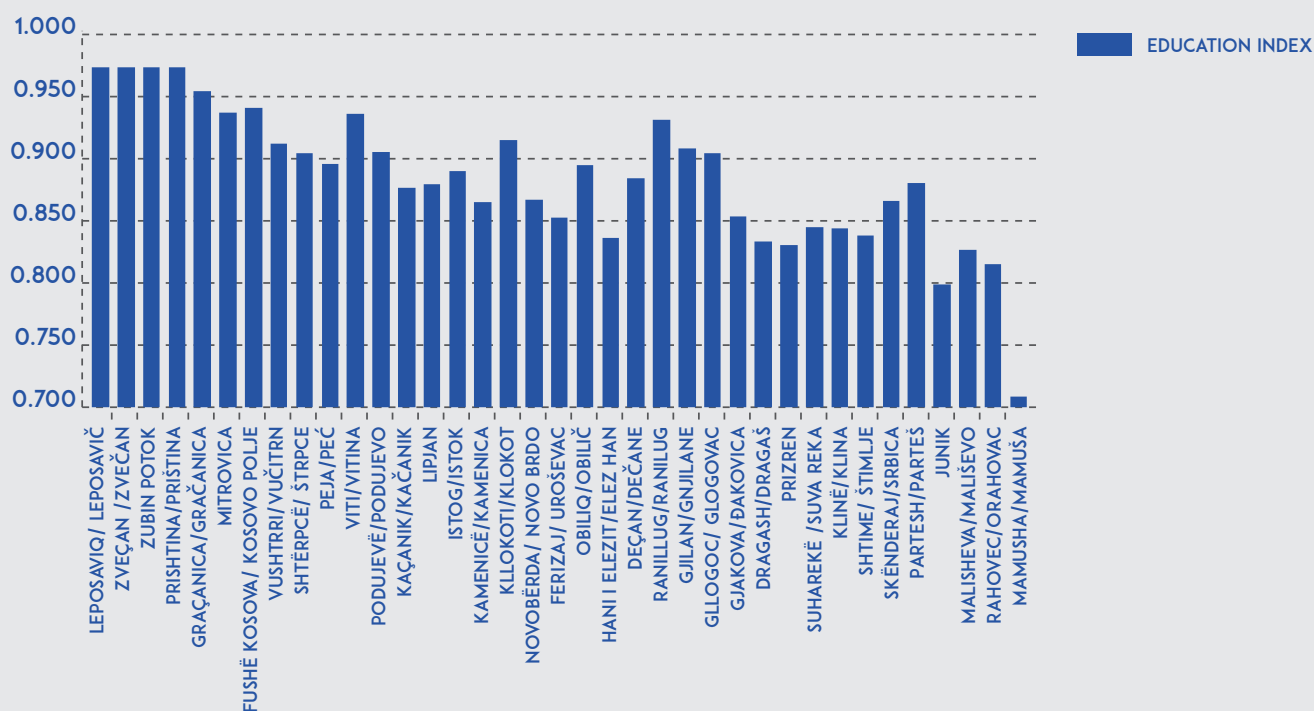
HUMAN DEVELOPMENT INDEX ON MUNICIPAL BASIS



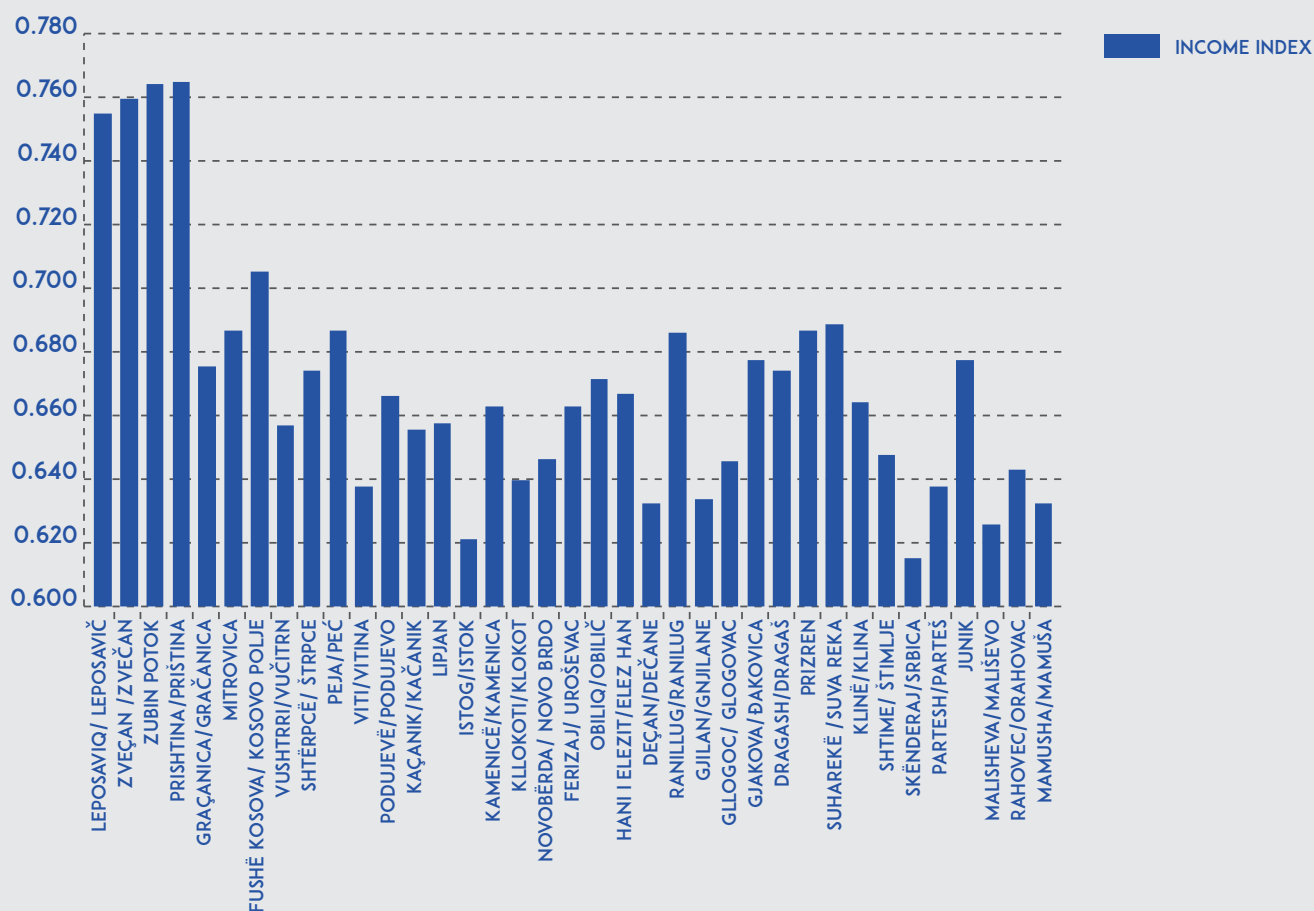
HEALTH INDEX ON MUNICIPAL BASIS



EDUCATION INDEX ON MUNICIPAL BASIS



INCOME INDEX ON MUNICIPAL BASIS



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11. http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/08/01/000445729_20130801131524/Rendered/INDEX/798610WP0ENGLI0Box0379792B00PUBLIC0.txt (23.04.2014).
12. <http://medrks-gov.net/the-government-approved-the-strategy-on-diaspora-and-migration/?lang=en> (12.04.2014).
13. http://eeas.europa.eu/delegations/kosovo/documents/eu_travel/visa_liberalisation_with_kosovo_roadmap.pdf (20.03.2014).
14. http://hdr.undp.org/sites/default/files/reports/269/hdr_2009_en_complete.pdf (03.03.2014).
15. http://www.ks.undp.org/content/dam/kosovo/docs/Remittances/KRS2012_English_858929.pdf (10.02.2014).
16. http://siteresources.worldbank.org/INTKOSOVO/Resources/Migration_and_Economic_Development_in_Kosovo_WB_report.pdf (22.02.2014).
17. http://www.ks.undp.org/content/kosovo/en/home/operations/projects/democratic_governance/PublicPulse.html (12.04.2014).
18. <https://esk.rks-gov.net/eng/> (15.01.2014).
19. “Dutch disease is the negative impact on an economy of anything that gives rise to a sharp inflow of foreign currency, such as the discovery of large oil reserves. The currency inflows lead to currency appreciation, making the country’s other products less price competitive on the export market. It also leads to higher levels of cheap imports and can lead to deindustrialisation as industries apart from resource exploitation are moved to cheaper locations.” <http://lexicon.ft.com/Term?term=dutch-disease> (19.05.2014).

CHAPTER 2

20. The chi square test suggests that there are statistically significant differences of educational level of emigrants by wave of migration at 99 percent level of significance.
21. Riinvest 2007; KRS, 2012, pp.25-26.
22. Clark, 2000.
23. Krasniqi, 2012.
24. Nushi, A., & Alishani, A. (2012). Migration and development: the effects of remittances on education and health of family members left behind for the case of Kosovo. *Analytical*, 5(1), 42-57.
25. United Nations, (2006), Kosovo, Croatia & Bosnia” (IT-02-54) Slobodan Milošević”, Case Information Sheet, UN.
26. Kosovo Public Pulse, October 2012;
27. Based on Census 2011 (REKOS 2011).
28. World Bank, 2009.
29. According to the KRS 2012, 43 percent of Kosovo citizens have family members who live abroad, while 22.4 percent of Kosovo families during 2012 received remittances from their family members. The KRS 2011 reported that 37 percent of families had family members abroad and 25 percent received remittances.
30. The KAS, 2013, Kosovo Population Projection 2011-2061 estimates.
31. http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-QA-13-012/EN/KS-QA-13-012-EN.PDF.
32. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=migr_asyappctzm&lang=en.
33. Bitoulas, A. (2013). Manuscript completed on: 22.11.2013, Data extracted on: 01.10.2013, ISSN 1977-0340 Catalogue number: KS-QA-13-012-EN-N (http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-QA-13-012/EN/KS-QA-13-012-EN.PDF , accessed 20.02.2014).
34. World Bank and Kosovo Agency of Statistics (2013) Results of the Kosovo 2012 Labour Force Survey, Prishtina/Priština : Kosovo Agency of Statistics.

35. European Asylum Support Office (2013) Asylum Applicants from the Western Balkans: Comparative Analysis of Trends, Push-Pull Factors and Responses.
36. EASO (2013, p. 25).
37. Kosovo Public Pulse, October 2012.
38. KAS (2013). Study on Remittance in Kosovo – 2013, October 2013 Kosovo Agency of Statistics Department of Social Statistics <http://esk.rks-gov.net/>.
39. Ibid.
40. World Bank (2011) Migration and Economic Development in Kosovo, Report No. 60590 – XK.
41. BSCK, 2011; Business Environment Enterprise Performance Survey - BEEPS 2009.
42. See Ministry of Internal Affairs (2013). Extended Migration Profile. Department of Citizenship, Asylum and Migration - Ministry of Internal Affairs).

CHAPTER 3

43. Data on international financial flows presented in the rest of this Chapter are official data reported by the Central Bank of Kosovo. These include flows from Serbia into the Northern municipalities as well as other mainly K-Serb-populated municipalities. These are mainly recorded under Current Transfers (in the “Other” category) and under “Income” in the compensation of employees category.
44. World Bank, 2013a.
45. A substantial amount of the positive balance ‘Employee compensation’ in the ‘Income’ category of the current account in BOP can be attributed to income of Kosovan residents employed abroad, especially in the last years when the number of local employees working for KFOR has declined with the downsizing of this force with several Kosovan residents, now temporarily employed in missions in Afghanistan and Iraq (CBK, various years).
46. KAS, various years.
47. While there was no Labour Force Survey in 2010 or 2011, the Kosovo Agency of Statistics indicates that its much lower estimate of 35 percent unemployment in 2012 reflects mostly methodological changes (including a different treatment of agricultural workers) and is therefore not comparable to 2004-2009.
48. Note that figures in Table 3.2 which intends to explain the financing of net imports presents data on net external financial flows, whereas Table 3.1 above and the rest of this Chapter refer to gross financial flows.
49. CBK, 2013.
50. Ibid.
51. Haxhikadrija, 2009.
52. Havolli, 2008.
53. CBK, 2013.
54. UNDP 2012.
55. KAS, 2013a.
56. As of December 2013 the effective interest rate on new loans was 11 percent (CBK, 2013b), whilst domestic savings are estimated at -5 percent of GDP in 2012 (World Bank, 2014).
57. CBK, 2013; ‘Net’ here refers to the difference between credits and debits in the capital transactions between the foreign investor and its affiliate enterprise.
58. Riinvest, 2008.
59. Although there are success stories about Diaspora involvement in sectors such as the ICT, health and tertiary education, Diaspora members tend to get involved in the same sectors in which they were working while abroad, such as construction, catering and manufacturing.
60. Riinvest, 2007; Gashi et al., 2013; Riinvest, 2013.
61. Gashi et al. 2013.
62. Ibid.
63. In this regard, the Diaspora Engagement in Economic Development (DEED) Project, the banking and Investment Service for Diaspora Forum, and the development of the National Strategy and Action Plan for Diaspora and Development present good steps forward. The DEED project, in particular, has focused on identifying and assessing incentives/models for Diaspora investment promotion. Three of these are currently under serious consideration for implementation: Special Economic Zones, municipality bonds and a private equity fund. However, although encouraging, it is important to note that these initiatives cannot compensate for the generic problems that the business climate in Kosovo is facing. All problems need to be resolved if initiatives such as these are to be fully realized.
64. A closely related indicator is the average wage measured in Euro (Section 3.3.2).
65. Ibid.
66. Moldova: 30 percent in 2008; Kyrgyzstan: 23 percent.
67. Atamanov et al., 2008
68. Remittances can boost revenue collection by fuelling demand for imports – and hence taxes on imports – therefore allowing for revenue collection and government spending. In Kosovo all excise taxes and three-quarters of the Value Added Taxes are collected at the border. Revenue collection at customs contributes to 80 percent of total tax revenue (IMF, 2013).

69. KAS, 2013c.
70. World Bank, 2010a.
71. KAS, various years.
72. As noted earlier in this Chapter the Kosovo Agency of Statistics indicates that the estimate of a rate 35 percent for unemployment in 2012 reflects mostly methodological changes used for previous calculations (including a different treatment of agricultural workers) and is therefore not comparable to 2004-2009 during this time the average rate of unemployment was estimated to be 44%.
73. World Bank, 2013b.
74. KAS, 2013d.
75. KAS, 2013; entrants: 14 year olds will become 15 year olds and retirees: 64 year olds becoming 65 year olds.
76. Riinvest, various years; World Bank, 2010b; Riinvest, 2011.
77. World Bank (2010a) qualifies these findings pointing that the higher employment rates and wages could also be caused by different characteristics of migrants and non-migrants: those individuals that migrate may be, in the first place, more ambitious or have greater entrepreneurial or leadership skills than those who don't migrate.

CHAPTER 4

78. UNDP, 2012
79. According to World Bank data, too, year-on-year remittances dropped only in one year, however that year is 2010. The differences could be due to the differences in the definition of remittances used by these two databases, as explained in the previous Chapter.
80. This is likely to be partially due to cases of females becoming heads of households after their husbands have emigrated.
81. This interpretation is presented by Havolli (2008) who conducted a regression analysis on data collected in 2007 by Riinvest, controlling for characteristics such as age, education, marital status, the number of dependents in the host country, and individual earnings.
82. Transfers from Serbia are treated as remittances.
83. Ivlevs and King (2009) put forward this argument as a potential explanation for time series survey data of K-Serb's emigration showing migration intentions having reached a peak in 2006, followed by a decline, at a period in which migration intentions of K-Albanians and other ethnicities were increasing. For the purpose of this study, as well as of the statistics presented in this Chapter, migration to Serbia is considered as emigration (i.e. external, and not internal, migration).
84. The average wage was calculated using the mid-points of ten wage intervals as asked by the Kosovo Remittance Survey.
85. Even though there is some evidence from regression analysis that receiving remittances is associated with a lower labour force participation (UNDP, 2012), it does not necessarily reply causation because it may well be that remittances are sent to those that face more difficulties with their current employment conditions and are more likely to leave the labour force (i.e. seize active job-search).
86. World Bank, 2011 Migration Report. Careful consideration has been given to previous research (cited in the rest of this Section) with the aim of ensuring that a contribution to knowledge is made. This has been achieved by employing more advanced indicators and/or techniques (e.g. regression analyses and per adult equivalent indicators for the effect of remittances on different categories of expenditure), and by analysing more recent data (e.g. the effect of remittances on poverty; possession of assets by households).
87. e.g. World Bank, 2007.
88. The calculation is based on the equivalence scale used by World Bank (2007) which takes into account the age composition and potential economies of scale effects in larger households. In accordance with previous studies on poverty in Kosovo, consumption expenditure excludes consumption on housing and durable goods.
89. The figures reported in the rest of this section are based on authors' calculations/estimations based on Kosovo Remittance Study 2011 survey data (UNDP, 2011), unless stated otherwise.
90. Energy expenditure is included in the category of housing expenditure.

CHAPTER 5

91. KAS, 2013a.
92. KAS, 2013b; though higher estimates are presented in Chapter 2.
93. The 2010 and 2011 UNDP remittance datasets are larger and more recent than the World Bank data, but they collect information only for those migrants that send remittances (which would lead to biased results for women migrants who are less likely than men to send remittances).
94. KAS, 2014.
95. The KAS 2014 report on migration does not report migration reasons by gender hence we use the World Bank data. In the World Bank Migration Survey a migrant was defined as a family member aged 15 and above who lived permanently outside Kosovo or who was currently away from Kosovo for more than one month for work.
96. KAS, 2014; This stands also for K-Serbian migrants as 60% of them live in Germany, Switzerland, Austria and Australia. However there are only 20 K-Serbian migrants that have been contacted for an interview within this study.
97. Data are comparable as both the Migration Survey and Census figures refer to persons aged 15 plus.
98. Hirschman and Wong 1986; Portes and Rumbaut 2006.
99. KAS, 2013.

100. UNDP, 2009.
101. World Bank Migration Survey, 2009.
102. UNDP in cooperation with Kosovo Agency of Statistics conducted a remittance survey in 2013 but data is not as yet available for access.
103. KAS, 2010, Women and men in Kosovo.
104. The brother is found as a remitter to women headed households in 28 percent of cases, son in 25 percent of cases, sister in 11 percent of cases. Remitters are also daughter, father, mother, cousins and aunts.
105. The remaining parts of expenditures are in durables, transportation, debt repayment, etc.
106. Primary and secondary education in Kosovo is compulsory. For primary education books are free. Therefore education costs increase as children get into higher education.
107. Rodriguez and Tiongson, 2001; Fullenkamp et al., 2005; Azam and Gubert, 2006.
108. Rodriguez and Tiongson, 2001; Hanson, 2005.
109. Görlich et al., 2007.
110. This social dimension of remittances builds on migration literature such as Levitt (1998) and Levitt and Lamba-Nieves (2011).
111. Goldring, 2004.
112. Analyses of the impact of mobility on women left behind also draws on literature from Lutz, 2010; Portes, 2010; Schuerkens, 2005, that considers various migration-driven social, economic and cultural changes. In addition, studies conducted in Ecuador, Ghana, India, Madagascar, and Moldova and as noted in the 2009 Global Human Development Report, have found that migration can lead to greater empowerment of women through their husbands' absence. Norms adopted in a migrant's new home – such as a higher age of marriage and lower fertility, greater educational expectations of girls, and labour force participation – can filter back to the place of origin. In relation to Kosovo and since the majority of Kosovan migrants live in developed countries with very high human development, the potential for social remittances is high but this depends on the degree to which migrants interact within their host society. The impact of mobility on women left behind in Kosovo needs also to consider behind can also be negative since they may remain largely confined to housekeeping, child-rearing, and agricultural work. Additionally, gains in authority may be temporary if male migrants resume their position as head of the household upon their return, as has been reported from Albania and Burkina Faso (Antman, 2012; UNDP, 2009, p. 76). Another situation that can lead to less empowerment for women left behind arises when they live with their in-laws. In this situation their decision making power may worsen compared to when the husband was at home.
113. One question asked whether 'thinking about the situation before your husband went abroad, and the situation now, do you think that now you have more power when it comes to decision making in the family?'.
114. Ablezova et al., 2012.
115. Qin, 2008.

CHAPTER 6

116. A study by Cox Edwards and Ureta (2003) in rural areas of El Salvador shows that remittances lower the likelihood that children will leave school; Lopez-Cordoba (2004) finds that remittance-receiving municipalities report greater-than-usual literacy levels and higher school attendance among children 6-14 years old; Borraz (2004) finds that children who live in remittance-receiving families complete more years of school. Also, findings from a study conducted by Acosta, Fajnzylber & Lopez (2007) showed that remittances ease budgetary constraints of poor families in Latin American countries and increase the investment in human capital. Similarly, Yang (2004) found that remittances stimulate greater attendance in school; Amuendo-Dorantes & Ponzo (2008) showed that remittances in Haiti contributed positively to school enrolment and years of schooling for children left behind; Elbadawy and Roushdy (2010) analysed a sample of Egyptian children who lived in remittance-receiving households and found a positive impact on school attendance for boys close to university enrolment age, whereas positive effects for girls was noted for those aged 15-17 years. Zunhio, Vishwasrao and Chiang (2012) find a positive relationship between remittances and education for primary and secondary levels in 69 low-and-middle-income countries. Similarly, Matano and Ramos (2013) in Moldova showed that membership in a family that receives remittances increases the probability of attaining higher education by about 33 percent, after controlling for several individual and family characteristics. In contrast, there are several studies that consider parental absence as a result of migration to have a negative impact on the education of children. According to Hanson and Woodruff (2003), migration has a negative impact on family life and structure, since children are required to work instead of spending time at school. Lucas (2005) emphasizes that, although remittances can support the education of children, parental absence as a result of migration might worsen the educational outcomes. McKenzie and Rapoport (2005) emphasize significant decreases in educational attainments for children in migrant households. Similarly, De Brauw and Giles (2006) show that migration has a negative impact on school enrolment in China; Antman (2005), analysing school attendance and hours of schooling in Mexico, emphasizes an overall negative impact of migration. Also, some findings from Kosovo suggest no direct link between subsidies and investment in education (World Bank, 2007).
117. Pupovci 2002; Kabashi- Hima, 2011.
118. Mansour, Chaaban, & Litchfield (2011) also find that this age group is the one that benefits most from remittances for its educational attainments. In this regard and for this analysis, the variable of education is coded in two modalities, separately for secondary level/high school and university level. Individuals aged 16-18 are considered to be in education if the individual attends or has completed high school. Similarly, those aged 19-25 are considered to be in education if the individual has a minimum of 13 years of or attends university. In order to isolate the impact of remittances on educational attendance, we use the following control variables: household demographics (gender, employment, and household size); educational expenditures; regional characteristics (urban/rural); household finances (amount of household income spent on education, non-food items, transportation, and savings); and individual characteristics of youth aged 16-25 years old. Educational outcomes for family members based on collective family decisions and household demographics may directly affect schooling, and need to be controlled for that. In this regard the model includes the following covariates: average age of all household members, household size, and average education of all household members above 18 years. In addition to that, the model controls for urban/ rural area and socio-economic status of the household, including: number of working people in the household; number of non-working people in the household; amount of money spent on transportation, education and savings. Finally, the model controls for the gender make-up of the households.

119. “Social Impact of emigration and rural – urban migration in Central and Eastern Europe”, based on findings from the UNDP and USAID survey (2010); Gashi and Haxhikadrija, 2012, pp.14.
120. Data from other sources indicate that only 14 percent of remittances are spent on human capital, specifically on the education of children in Eastern European countries and Russia (Mansoor and Quillin, 2007). Depending on the source, rates of education expenditure in Kosovo vary, from 15 percent (Mustafa, Kotorri, Gashi, Demukaj, 2007) to 2 percent (Möllers, Judith; Meyer, Wiebke; Xhema, Sherif; Buchenrieder, Gertrud, 2013).
121. United Nations Development Programme, 2009, p. 57.
122. Mustafa, Kotorri, Gashi, Demukaj, 2007.
123. Cipuseva, Havolli, Memaj, Mughal, Qirezi, Rizvanolli, Sadiku, Sejdini & Shehaj, 2013.

CHAPTER 7

124. Percival and Sondrop, 2011.
125. Buwa and Vuori, 2007.
126. Mustafa, Berisha and Lenjani, 2014, pp.126.
127. World Bank, 2013.
128. Begolli & Arenliu-Qosja, 2011.
129. UNDP, 2012, pp. 7.
130. Reanne and Hummer, 2002; Hildebrant and McKenzie, 2005.
131. For example, Lopex Cordova (2004) found that remittances lowered the birth rates across Mexican municipalities, indicating better family planning. Hildebrant and McKenzie (2005) found a positive effect of migration on children’s health, associating the increase in monetary and social remittances with reduction of child mortality and an increase in weight. According to Hildebrant and McKenzie (2005) migration has a positive effect on health outcomes through the dissemination of knowledge and wealth. Additionally, Acosta et al. (2007) found that recipient households enjoy better health status than non-recipient households across all health indicators such as weight and height for age in children aged 1 to 5 years. Moreover, Ameudo- Dorantes et al (2007), Ameudo-Dorantes & Pozo (2009) and recently Valero-Gil (2008) show that remittances raised health expenditure in Mexico.
132. FORUM, 2015. Data from UNDP, 2012 indicates that up to 6 percent of total remittances are used for both health and education.
133. UNDP, 2012.

CHAPTER 8

134. For example, in Moldova voters in localities with a large number of migrants are more likely to vote for parties that favour economic and political integration with Western Europe (Omar Mahmoud et al, 2013).
135. Abdih et al., 2012.
136. This section deals primarily with Kosovo Albanian Diaspora. Other communities living in Kosovo are excluded from the discussion for several reasons: Firstly, the concept of “Diaspora” in Kosovo has always had an ethnic connotation, meaning that those (K-Albanian majority) migrating from Kosovo, even when it was part of Yugoslavia and later Serbia, referred to- and looked at Kosovo as their “country” of origin. When the other communities in Kosovo, i.e. K-Serbs emigrated, they referred to- and looked at Serbia as their country of origin. The second reason, and as one of causes of the first one, members of the Diaspora in their host countries were organized on an ethnic Basis. Thirdly, which is also a reflection/ continuation of the first two, is that after the 1999 conflict in Kosovo and as institutions, especially those dealing with Diaspora, began to develop, the majority of K-Albanian population continued with their perception of “Diaspora” as K-Albanians only, while the K-Serb “Diaspora” continued to identify themselves as Serbs connected to the Serbian state. In this context, this part of the report reflects on these multi-layered historical realities.
137. Pantina, 2012 and Haxhikadrija, 2009.
138. Since the Government of Kosovo no longer functions under extraordinary circumstances, as it did during the 1990s Haxhikadrija notes that there is no longer a need to engage socially in humanitarian work, or politically in actions to liberate Kosovo, as the previous generation of migrants experienced. Thus, the sense of obligation to help the Government of Kosovo now is less than it was in the past (Haxhikadrija, 2009).
139. Haxhikadrija 2009, n.p.
140. Mustafa, et.al. 2007, p.53. This and other concerns raised in various studies referred to in this section of the report are largely also confirmed in a recently held conference in Prishtina/Priština in 2013, which gathered various members of Kosovo Diaspora from Germany, Switzerland, Belgium, and Turkey.
141. Mustafa, et.al. 2007.
142. Haxhikadrija, 2009.
143. Mustafa, et al. (2007, p.54).
144. Haxhikardija 2009, n.p and Iseni, 2013.
145. Workshops in Bern, Lausanne, Basel and Geneva) (Haxhikardija 2009, n.p.).
146. Ministry of Diaspora of Kosovo, 2013 and Ministry of Diaspora of Kosovo, 2014a.

147. Including a regulation on subsidizing projects for Diaspora and migration (Ministry of Diaspora of Kosovo, 2014b), and another on the criteria for awarding an annual prize for the most successful group of migrants during the year, which aims at stimulating Diaspora engagement and organization (Ministry of Diaspora, 2012). The Government of Kosovo has also passed a regulation on drafting the register of migrants, associations, and other forms of their organization, which among others will include the number and geographic distribution of Diaspora and Migration; demographic structure; socio-economic characteristics of Diaspora households; and data for all the Diaspora associations, businesses, and other organizations (Government of Kosovo, 2013).
148. Haxhikadrija, 2009. This is part of the Awakening phase of the three phases under which the Kosovo Diaspora has gone: (1) Euphoria, Disappointment, and Awakening.
149. Haxhikadrija 2009, n.p.
150. Some examples include: (1) Osman Osmani who is one of the first legislators of Kosovo Albanian origin elected in 2006 at the Canton of Schaffhausen in Switzerland (Kosovo Diaspora); (2) Osman Sadiku who is a Kosovo-born citizen in Switzerland elected as a legislator in Canton of Glarus (Kosovo Diaspora); and (3) Ylfete Fanaj who was elected at the Canton of Lucerne (Box 8.1). There are a number of other Kosovo-origin citizens in Switzerland who have taken up positions at municipal level legislatures as well (Fanaj Web Biography).
151. Haxhikadrija 2009.
152. UNDP 2009, p.61.
153. Fanaj, 2013.
154. O. Osmani, Email communication, August 7, 2013.
155. Ministry of Public Administration of Kosovo n.d., p.6.
156. Ministry of Public Administration of Kosovo n.d., p.6.
157. Rep. of Kosovo, Law no. 04/L-095 on Diaspora and Migration.
158. Rep. of Kosovo, Ministry of Diaspora.
159. Diaspora for Development, 2012.
160. Albinfo.ch 2012.
161. Pantina, 2013.
162. For instance, the Election Regulation for Voting Outside Kosovo, states that to be eligible to vote people outside of Kosovo must either be registered as a citizen of Kosovo in the Central Civil Registry, or they need to have been registered as voters outside Kosovo in the last elections (Election Regulation No.03.2013 Article 3.1 (a) and (b)). Accordingly, those willing to vote from abroad, will have to first get registered in Kosovo's Central Registry by filling in an application form together with any documented evidence that proves their identification and their eligibility to vote in accordance with detailed provisions provided in the Law on General Elections (Election Regulation No.03.2013 Article 3.3 (a) and (b)).
163. Firstly, after having been registered as voters abroad, they will have to fill in another, albeit a shorter, application and an identification document with a picture that proves they are registered citizens of Kosovo (Election Regulation No.03.2013 Article 3.2). Secondly, after successfully applying to receive a ballot, they can receive the ballot in three ways: (1) by post, (2) in a designated location outside Kosovo specified by the Kosovo Central Elections Committee (CEC), or (3) download it from the CEC website (Election Regulation No.03.2013 Article 4). Thirdly, after having received the ballot, they will have to insert the ballot in a blank envelope, which, together with an identification document and a note which states their additional personal information will have to be then inserted into another marked envelope indicating the sender's details (Election Regulation No.03.2013 Article 4.2). The marked envelope will have then to be delivered to a specific, CEC indicated, mailbox abroad (Election Regulation No.03.2013 Article 4.3). The enveloped ballot needs to arrive to the CEC twenty four hours prior to the Election Day.
164. Fanaj, 2013.
165. WUS Austria, 2011.
166. Riinvest College, 2014. Riinvest Institute which is affiliated with Riinvest College hosts a staff of 14, out of which 10 have studied abroad.
167. 3 CIS, 2014.
168. Gashi 2013, p.283.
169. The 2009 HDR refers to this phenomenon as being 'caught in a time warp' (UNDP HDR 2009, p. 60) "some migrant communities become caught in a time warp, clinging to the cultural and social practices that prevailed in the home country at the time of migration [...]"
170. Fanaj, 2013.
171. Haxhikadrija 2009, n.p.
172. Haxhikadrija n.p., 2009.