



# DIASPORA AND DEVELOPMENT

## Bosnia and Herzegovina

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# Contents

Acknowledgments	3
List of figures	5
List of tables	5
Introduction	6
I. DIASPORA	7
1.1. Background	7
1.2. Legal, institutional and political context	9
II. DIASPORA AND DEVELOPMENT	15
2.1. Introduction	15
2.2. Diaspora and financial capital	15
2.3. Diaspora and human capital	19
2.4. Diaspora and social capital	20
2.5. Diaspora and institutional environment	21
2.6. Evidence from BiH	23
III. BiH - DIASPORA - POTENTIAL FOR DEVELOPMENT	25
3.1. Analysis of state officials' perceptions at all administrative levels	25
3.1.1. Introduction	25
3.1.2. Sample characteristics	25
3.1.3. Identifying goals and capacities	26
3.1.4. Mapping BiH diaspora	29
3.1.5. Trust and mobilization	31
3.1.6. Conclusion	37
3.2. Analysis of municipality officials' perceptions	38
3.2.1. Introduction	39
3.2.2. Sample characteristics	39
3.2.3. Identifying goals and capacities	41
3.2.4. Mapping BiH diaspora	45
3.2.5. Trust and mobilization of diaspora	48
3.2.6. Conclusion	50
3.3. Analysis of ex-diaspora entrepreneurs' perceptions	52
3.3.1. Introduction	52
3.3.2. Sample characteristics	52
3.3.3. Personal information	53
3.3.4. Migration experience	53
3.3.5. Business performance	55
3.3.6. Business obstacles	57
3.3.7. Conclusion	59
3.4. Analysis of BiH population's experiences and perceptions	60
3.4.1. Introduction	60
3.4.2. Migration destination	60
3.4.3. Migration characteristics	62
3.4.4. Connections to the diaspora	64
3.4.5. Migration intentions	65
3.4.6. How can the diaspora help development?	73
3.4.7. Conclusions	76
IV. CONCLUSIONS AND RECOMMENDATIONS	77
Literature	85
Appendices	91

## List of figures

Figure 2.2.1. Remittances in the global economy, 2000-2012	16
Figure 2.2.2. Total remittances in Bosnia and Herzegovina, 2000-2012	18
Figure 3.4.1. Migration destination of returnee migrants	61
Figure 3.4.2. Years of migration and return	62
Figure 3.4.3. Main reason for returning to BiH	63
Figure 3.4.4. Connections to the diaspora	64
Figure 3.4.5. Aspiration for emigration	65
Figure 3.4.6. Main reason for migration	66
Figure 3.4.7. Modelling determinants of aspirations to migrate abroad	69
Figure 3.4.8. Interaction effects of employment status, age and education	70
Figure 3.4.9. Interaction effects of family (low) income, age and education	72
Figure 3.4.10. Diaspora and development of BiH	74
Figure 3.4.11. Diaspora and development – by gender	74
Figure 3.4.12. Diaspora and development – by entity	75

## List of tables

Table 3.3.1. Initial capital, revenue and number of employees	55
Table 3.3.2. Pairwise correlation - initial capital, revenue and number of employees	56
Table 3.4.1. Remittances and household income relations	64
Table 3.4.2. Plans for migration	67
Table 3.4.3. Aspirations to migrate abroad	68

# Introduction

The study investigates the potential of diaspora to support development in Bosnia and Herzegovina. The main novelty of this research is an empirical analysis based on new data gathered from three sectors that are particularly relevant for development - government, business and household sector.

The study is structured as follows. The first chapter details the structure of the BiH diaspora, as well as its legal, institutional and political context (*I. BiH diaspora*). The second chapter is a literature review (*II. Diaspora and development*) exploring the role of financial, human, and social capital of diaspora in supporting development, the role of institutional environment, followed by a discussion of research on BiH specifically.

The empirical chapter (*III. BiH - diaspora - potential for development*) is focused on perceptions about the role of BiH diaspora and its potential to support development. First, the study focuses on the capacity of BiH institutions at all administrative levels (state, entity, cantonal, municipality, the Brcko District of BiH) - as well as on their policy priorities and challenges - to involve the diaspora in development. The main research question that we investigate is: How is the role of diaspora in development perceived in BiH by institutions? This analysis particularly investigates institutional perceptions at the local level by having a specific section focused on the municipality officials.

Second, the business sector is examined by interviewing ex-diaspora entrepreneurs in BiH with the main aim of identifying their personal migration experience, business performance and obstacles of their businesses. The main research task was to investigate examples of return experience: successes and obstacles.

Third, the study focuses on the household sector of BiH (general population) using empirical investigation from two surveys. First, the issue of diaspora and development is investigated using a targeted survey (2013) to analyse migration characteristics, connections to diaspora, migration intentions and opinions about the role of diaspora and development in BiH. The next empirical analysis uses a repeated cross-sectional data set (2000-2010) from the household surveys BiH to assess determinants of aspiration for migration abroad. The study concludes with the main findings and recommendations.

## 1.1. Background

In the last decades the potential of diasporas as “wings of development” or the “heroes of development” (Khadira, 2008) of their countries of origin has been recognised in development thinking. The increases in remittances, knowledge transfer as well as other forms of philanthropy and voluntarism have encouraged governments to formalise the diaspora capacity for development of the country of origin through the various policy initiatives (Gamlen, 2006).

The term diaspora has a long history and number of definitions. Generally, it refers to a people dispersed from their original homelands that possess a collective memory, myth, sentimental and/or material links to the homeland (Safran, 1991), where the time-space dimension has a particular role (Cohen, 2008). GFMD (2008, p. 2) defines diaspora as “individuals originating from one country, living outside this country, irrespective of their citizenship or nationality, who, individually or collectively, are or could be willing to contribute to the development of this country. Descendants of these individuals are also included in this definition”. However, it is unclear in practice how to distinguish between migrants who are members of the diaspora and those who are not. What level of attachment is required for an individual to be considered a member of the diaspora? Furthermore, the difficulties of collecting data mean that often it is not possible to distinguish between diaspora and migrants. As a consequence, throughout this study we use data on migrants as the best available proxy for the diaspora.

Diaspora contributions to the development of their homeland vary enormously according to specific circumstances. It is therefore important to understand the background and the structure of BiH diaspora. This includes size, time-space, individual characteristics, integration outcomes and experiences of engagement with BiH. These elements help understand the diversity of diaspora agendas, interests and strategies towards its relationship with the homeland (IOM, 2012).

According to the latest estimate published by the Ministry of Human Rights and Refugees of BiH (MHRRBiH) (2014), the estimated number of the BiH population settled abroad (in 51 host countries) is about 2 million or 51% compared to BiH resident population of 3.8 million (ASBiH, 2013). This relative size of BiH diaspora (%) is the largest among the former Yugoslavia republics and being the highest among developing countries of Europe. The size of the BiH diaspora was frequently estimated to be around 40% of population before this latest MHRRBiH (2014) publication (e.g. Valenta and Ramet, 2011; Halilovich, 2012; MSBiH, 2012).

Most data about BiH migration indicate that the BiH diaspora is more educated than the population of BiH - one third of BiH emigrants have finished higher education (IOM, 2007). This suggests that the diaspora may be an important source of human capital and a potential conduit for knowledge transfers. However, the educational profile of BiH emigrants varies between receiving countries. Around 55% of emigrants from BiH in Australia have tertiary education, as do around 40% of emigrants in SAD and around 30% in Sweden (MHRRBiH, 2014). The percentage of BiH emigrants with tertiary education is the lowest in Slovenia, Germany, Austria and Switzerland where it is up to 5% (MSBiH, 2012, p. 21).

In contrast to the high unemployment levels in BiH, the majority of BiH emigrants are economically active and employed (IASCI/IOM, 2010), and on average, the employment rate of BiH diaspora labour force is around 80% (MHRRBiH, 2014). Furthermore, some research indicates that most BiH women abroad actively participate in the labour market despite patriarchal family arrangements (Miskovic, 2012). It is estimated that the primary sectors of employment of BiH migrants are construction, service/tourism and manufacturing sectors (IASCI/IOM, 2010), although this might be different in different host countries. There are also a large number of migrants from South-East Europe employed in these sectors, although compared to other SEE countries, there are a significant number of BiH migrants in management positions. Considering education and employment level, existent data suggests that BiH migrants aren't underemployed (IASCI/IOM, 2010).

Ethnicity still plays an important role in the structure of the BiH diaspora. For example, BiH diaspora organizations are mainly supported by Bosniacs whilst other ethnic groups, such as BiH Croats and BiH Serbs, are likely to be actively involved in Croatian or Serbian diaspora communities (Halilovich et al., 2006; Iseni et al., 2014). This does not mean that there is clear distinction between the ethnically-based diaspora communities or that there is unity within each of them. For example, class differences (Coughlan and Owens-Manley, 2006) - as well as rural *versus* urban backgrounds (Halilovich, 2011) - have a strong impact on the structure of BiH diaspora even within the same ethnic group. In general, it is important to acknowledge that existing studies on the BiH diaspora indicate the high heterogeneity and diversity of the BiH diaspora (Valenta and Remet, 2011). A key aspect of this heterogeneity relates to the period and circumstances under which BiH citizens migrated.

The BiH diaspora should be defined through three periods: pre-war, war and post-war emigration period.

*The pre-war period* refers to the emigration before the 1990s, when the migrants from BiH – as members of the former Yugoslavia – emigrated mainly for economic reasons. The main destinations for migrants were the former Yugoslav republics, as well as numerous Western European countries such as Germany, where thousands migrated under the guest workers schemes. Other destinations included the USA, Canada and Australia.

*The war period* refers to the period between 1991 and 1995. This period witnessed the largest outflow of refugees – between 1992 and 1995 more than 1.2 million BiH citizens left the country and settled abroad, while there was around 1.0 million of internally displaced (IOM/IASCI, 2010). In other words, every second person in BiH was forced to leave their home. Just in the period between 1992 and 1993 more than 800,000 citizens of BiH left the country, and resettled around the world (Kupiszewski, 2009). During the conflict, the main emigrant receiving countries were Croatia (262,620), Germany (240,000), Austria (133,585), Serbia (131,108), USA (120,655), Slovenia (97,142), Switzerland (59,222) and Sweden (56,290) (Host Countries' Agencies for Statistics, 2012). For most of the receiving countries the number of BiH refugees was stable during the war period 1992-1995, but later, in some countries such as Croatia, Serbia, Montenegro, Slovenia, Austria, Italy, Hungary, Netherlands, FYR Macedonia, Germany, Switzerland and Turkey, this number considerably declined over time. These fluctuations were caused by return migration, but also by the migration to third countries. People started to return to BiH immediately after the General Framework Agreement for Peace in BiH (GFAP)<sup>1</sup> was signed in 1995. Since the permanent settlement status was not granted in some countries and refugees from BiH did not want to return, they were forced to move to third countries (Valenta and Ramet, 2011).

Annex 7 of the GFAP contains 18 articles which regulate refugees' and internally displaced persons' rights<sup>2</sup>. They regulate rights concerning property owned prior to 1991 – either via restoration or compensation for property which cannot be returned. Each "side" in the contract declared that they would take all necessary steps to ensure the safe and voluntary return of refugees and displaced persons to their homes. Parties also agreed to create a suitable environment – political, economic and social conditions – for sustainable return, showing no preference for any particular (ethnic) group (OHR, 2013a).

The largest number of returnees was registered in the first three years after the GFAP and these made up more than half of the total number of returnees (MHRRBiH, 2005). Over 1.0 million people returned to BiH since 1995 (FMDPR, 2011). Between 1997 and 1998, Germany repatriated more than 194,100 persons back to BiH. Conversely, the Netherlands has stimulated returnees by giving them financial donations to rebuild lives in BiH. Initially, around 25,000 refugees escaped to the Netherlands, and around 15,000 received permits to stay. According to estimates, around 40% of the emigrants have returned back to BiH, around 18% migrated to third countries and the remaining 42% (around 500,000), still live in the first receiving country (Koning, 2008). MHRRBiH (2012, p. 4) reports some estimates that around 55% of BiH emigrants have strong desire to return to BiH one day.

<sup>1</sup> GFAP is also known as the Dayton Peace Agreement (DPA).

<sup>2</sup> More on: [http://www.ohr.int/dpa/default.asp?content\\_id=375](http://www.ohr.int/dpa/default.asp?content_id=375)



*The post-war period* refers to the period from 1995 onwards. This emigration wave is likely to involve (young) people who are leaving BiH due to its high unemployment rate, institutional inefficiencies, political situation and some other individual reasons (e.g., see the later UNDP BiH, 2000-2010 data based investigation on migration intentions). According to EUROSTAT tens of thousands of BiH citizens entered the EU in the last two decades. In the period between 2000 and 2007 that number was 143,985 (MSBiH, 2011a).

Over 95% of emigrants from BiH have acquired citizenship or residence permits in their host countries. At least 400,000 persons have acquired host-country' citizenship (MSBiH, 2012), whilst 61,752 BiH nationals renounced BiH citizenship to acquire a new citizenship (mostly in Austria and Germany) between 1998 and 2012 (MCABiH, 2013).

The number of BiH citizens who obtained the citizenship of host countries is an important indicator of integration. Around 15% of total migrant households are in the former Yugoslav countries, and 85% are in Europe, USA, Canada and Australia (IASCI/IOM, 2010). Additionally, a high degree of naturalization of BiH citizens might be an indication that emigration from BiH is a long-run phenomenon (MHRRBiH, 2012). That however does not diminish their interest and engagement with BiH. Furthermore, migration is not always intended to be permanent: in 2010, it was estimated that most new emigration was on temporary (MSBiH, 2012).

The above-mentioned characteristics of the BiH emigrants influence engagement with the homeland. The level of integration – defined through residential, employment, and educational status, amongst other factors – strongly influences the nature of migrant engagement with the homeland. Despite theoretical claims that weaker destination-country integration results in stronger links to the homeland (Portes et al., 2002), this does not appear to be the case in BiH. According to Povrzanovic-Frykman (2011), for example, the more economic integration into the host country, the stronger the link with BiH. BiH emigrants in better economic positions send more remittances, visit BiH more frequently, and are more involved in investment initiatives. For example, in a study about maximizing the development potential of BiH emigrants, among the 1,216 BiH emigrants interviewed, 32% of them having or intending to invest in their country of origin and, on average, they send 2,189 Euros in remittances per year to BiH households (IASCI/IOM, 2010). Furthermore, individuals who are better integrated in host countries are more engaged in grass-roots movements and ethnic organizations (Halilovich et al., 2006). These activities are frequently realized through the professional, hometown, ethnic and alumni associations. In addition, there are active diaspora media networks - such as BiH newspapers, TV programs, blogs and internet portals – in a number of host countries (MHRRBiH, 2012).

## 1.2. Legal, institutional and political context

The Constitution of Bosnia and Herzegovina (BiH) was drawn up as part of The General Framework Agreement for Peace in BiH (GFAP), Annex 4, in 1995<sup>3</sup>. According to the GFAP, Bosnia and Herzegovina is a democratic state, which shall operate under the rule of law and with free and democratic elections. BiH consists of the two Entities and one District, namely: the Federation of BiH (FBiH), the Republika Srpska (RS), and the Brčko District of Bosnia and Herzegovina (DB). State level government<sup>4</sup> is represented by a tripartite rotating presidency, a Council of Ministers of BiH (executive branch) and a bicameral Parliamentary Assembly. The FBiH is rather decentralized Entity by having ten Cantons, each with its own decision-making powers, including the municipality level within these Cantons. In contrast, RS has only the entity and municipality (local) level governance structures. DB has its own government and one municipality.

The GFAP defines the Bosniacs, Croats and Serbs, as constituent peoples (along with Others), and citizens of Bosnia and Herzegovina. The enjoyment of the rights and freedoms should be secured to all persons

<sup>3</sup>For more information: The General Framework Agreement: Annex 4: [http://www.ohr.int/print/?content\\_id=372](http://www.ohr.int/print/?content_id=372). It is also known as the "Dayton Peace Agreement".

<sup>4</sup>In BiH, the term 'state government' refers to what would be considered the national or federal government in other federal systems; 'entity governments' is analogous to 'state or provincial governments' in other federal systems; and the canton governments in the Federation also resemble state or provincial governments (World Bank, 2002, p. 5).

in BiH without discrimination on any ground such as sex, race, colour, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth or other status<sup>5</sup>. The Constitution of BiH assigns “immigration, refugee and asylum policy and regulation” to the state level.<sup>6</sup> It sets out that a citizen of BiH abroad shall enjoy the protection of Bosnia and Herzegovina.

One of the diaspora's major issues, especially in the period after the signing of the GFAP, was implementation of Annex 7 of the GFAP<sup>7</sup>, which relates to the sustainable return of refugees and internally displaced persons to their homes of origin. Because of the deficiency in political engagement, partly insufficient commitment from the international community and the lack of basic conditions for a safe and sustainable return, the implementation of this important part of GFAP was generally unsuccessful and led many BiH citizens to stay abroad. There are also unresolved or inadequately resolved issues related to repossession, regulation of citizenship status, participation in elections, census, etc.

There is no established coherent system for monitoring migration in BiH. BiH institutions use the migration statistics of recipient countries (though this data is not sufficiently standardized or comparable). Currently, BiH is developing a system of migration statistics comparable to EU standards; the Ministry of Security of BiH is working on a system that will keep track on migration statistics.

Dual citizenship is an important issue for the BiH diaspora as well. Various legal provisions as well as a lack of political engagement in addressing the issue of dual citizenship led a significant number of BiH citizens renouncing their BiH citizenship in order to obtain a new one. According to the most recent data of the Ministry of Civil Affairs of BiH (MCABiH), 61,752 citizens of BiH renounced their citizenship in the period 1998-2013, mostly to get citizenships of Germany, Austria, Denmark and some other countries (MCABiH, 2013). However, in November 2013, the Law on Citizenship of BiH was changed giving now possibility to keep BiH citizenship when acquiring new one (if the host country's law recognizes this possibility). Although this change represents an improvement, still some countries (like Austria and Germany) do not allow dual citizenship.

The legal and institutional framework that governs the BiH diaspora differs according to the main three categorisations:

- a) Immigrants by country of birth (born in BiH), regardless of their citizenship;
- b) Immigrants by citizenship (citizens of BiH); and
- c) Descendants of migrants with BiH origin.

Note, the illegal immigrants' status is regulated by provisions on re-admission.

Part of the international legal framework relevant for BiH diaspora issues are contracts signed before BiH gained its independence, which are the basis of the Agreement on succession between member states of the former Yugoslavia embedded into the legal system of BiH including the Convention relating to the Status of Refugees<sup>8</sup> 1951 and the Protocol Relating to the Status of Refugees 1967. The second source of international laws is international agreements which are an integral part of the Constitution. The third source are multilateral and bilateral agreements that were concluded after the GFAP was signed. Of these, it is important to mention those related to EU integration (e.g., The Stabilisation and Association Agreement<sup>9</sup> from 2008 which has been ratified but has not yet entered into force, and the AGREEMENT between the European Community and BiH on the readmission of persons residing without authorisation<sup>10</sup>), as well as EU decisions concerning the visa regime, stay and movement of foreigners in the EU. The harmonization of migration-related regulations with EU standards is of particular importance in the context of EU integration. A Common Immigration Policy for Europe: Principles, actions and tools; the Global Approach to Migration and Mobility; the Hague and Stockholm Programmes - all represent an important framework for designing current and future policy in BiH.

<sup>5</sup> The General Framework Agreement: Annex 4, Article II: [http://www.ohr.int/print/?content\\_id=372](http://www.ohr.int/print/?content_id=372)

<sup>6</sup> In BiH, the term “state” level or government refers to what would be considered the national level or government in other systems (WB, 2002a, p. 5). For more information please see the Article III of the Constitution of BiH; “Responsibilities of and Relations Between the Institutions of Bosnia and Herzegovina and the Entities”: [http://www.ohr.int/print/?content\\_id=372](http://www.ohr.int/print/?content_id=372)

<sup>7</sup> More on GFAP, Annex 7: [http://www.ohr.int/dpa/default.asp?content\\_id=375](http://www.ohr.int/dpa/default.asp?content_id=375)

<sup>8</sup> [https://treaties.un.org/pages/ViewDetailsII.aspx?&src=UNTSO&mtdsg\\_no=V-2&chapter=5&Temp=mtdsg2&lang=en](https://treaties.un.org/pages/ViewDetailsII.aspx?&src=UNTSO&mtdsg_no=V-2&chapter=5&Temp=mtdsg2&lang=en)

<sup>9</sup> More on: [http://www.dei.gov.ba/bih\\_i\\_eu/ssp/doc/default.aspx?id=2952&langTag=en-US](http://www.dei.gov.ba/bih_i_eu/ssp/doc/default.aspx?id=2952&langTag=en-US)

<sup>10</sup> More on: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:334:0066:0083:EN:PDF>

Based on this framework, the authorized institutions of BiH have designed several key policies/documents, including the following ones:

- General Direction and Priorities for Implementation of Foreign Policy of Bosnia and Herzegovina, which defines the intensification and institutionalization of relations with the EU (including migration) as a priority, as well as the care for BiH citizens abroad (2003)<sup>11</sup>;
- Strategy in the Area of Migration and Asylum and Action Plan for the Period 2012-2015 (2012)<sup>12</sup>;
- An Integrated Border Management Strategy of BiH (Revised Strategy with Action Plan, 2011);
- BiH Strategy of Reintegration of Returnees Based on the BiH's Readmission Agreements;
- Strategy for the Reintegration of Returnees, Based on the Agreement for Readmission of 2009;
- Revised Strategy of BiH for the Implementation of Annex VII of the Dayton Peace Agreement (adopted in 2010)<sup>13</sup>, etc.

In late 2009, a draft Law on the implementation of cooperation between BiH and its diaspora was written, but not adopted. It defined the basic principles and responsibilities of BiH institutions in the field of migration – institutional cooperation with BiH emigrants/diaspora. The key objectives for cooperation with the BiH diaspora listed in this draft were:

- the preservation of the cultural and national identity of the people of BiH;
- establishing and enhancing cooperation with receiving countries;
- social and economic inclusion of BiH immigrants abroad.

Individual provisions recommended cooperation in the fields of culture, education, preservation of languages, science, technology, higher education, sports, and business. A strategy on diaspora cooperation was envisaged, too.

The key public institutions at the state level responsible for different diaspora issues primarily include the following:

The Presidency of BiH which has jurisdiction over the conducting of foreign policy of BiH. It has stated that BiH will cooperate with the BiH diaspora in different areas, such as science, technology, culture, education and sport. Since 2003, when the "General Directions and Priorities for Foreign Policy of BiH Enforcement"<sup>14</sup> was adopted, the strategic goals and methods of using the BiH diaspora for development were not revised or developed. The Presidency of BiH, in cooperation with the Parliament of BiH, is responsible for signing, ratifying, presenting and carrying out international agreements, legislation and policy, as well as managing membership in international institutions.

The Ministry of Foreign Affairs BiH (MFA) has jurisdiction over the implementation of BiH foreign policy. The MFA represents BiH in diplomatic relations with other countries, international organizations and at international conferences. They are monitoring the development of international relations with other countries and cooperate with international organizations. They protect the rights and interests of BiH citizens with residency abroad (MFA, 2013). Related to migration management, the MFA is engaged in issues pertaining to visas and passports, but also to the enforcement of foreign policies established by the Presidency of BiH.

The Ministry of Human Rights and Refugees of BiH (MHRRBiH) was established in 2000 by the Law on Ministries and Other Administrative Bodies of BiH and its responsibilities are defined by the same law. The MHRRBiH has an exclusive jurisdiction over the creation of policies towards BiH diaspora. MHRRBiH has a Department for Diaspora with two units: the Unit for Cooperation with the Organizations of BiH Diaspora and the Unit for Cooperation in the Areas of Economics, Education and Culture. The Diaspora department cooperates with BiH diaspora and currently has 10 employees.

<sup>11</sup> More on: <http://www.predsjednistvobih.ba/van/Template.aspx?cid=3564,1,1>

<sup>12</sup> More on: <http://www.mhrr.gov.ba/PDF/Izbjeglice/Revidirano%20strategija%20Engleski.pdf>

<sup>13</sup> More on: <http://migracije.org/files/2010%20January,%20Revised%20Strategy%20of%20Bosnia%20and%20Herzegovina%20for%20the%20Implementation%20ofAnnex%20VII%20of%20the%20Dayton%20Peace%20Agreement.pdf>

<sup>14</sup> More on: <http://www.predsjednistvobih.ba/van/Template.aspx?cid=3564,1,1>

For the purpose of this study, we list here some of most relevant of the MHRRBiH's activities in the area of diaspora and development: MHRRBiH collects, systematises, investigates, publicises and distributes data related to BiH diaspora; it promotes economic, human and other potential of BiH diaspora relevant for development; it monitors BiH diaspora in different countries; it creates and/or participates in a number of projects on diaspora knowledge transfers; provides assistance in networking and information sharing to BiH diaspora members; informs the Council of Ministers of BiH on BiH diaspora and participates in the Migration Profile BiH reporting; it drafts diaspora related laws and strategic documents in BiH; finally, it is involved in a number of other direct and indirect activities aiming to include BiH diaspora in social, economic and political life of BiH.

MHRRBiH has been working in partnership with a number of international organizations as well, such as: the International Organization for Migration (IOM), International Centre for Migration Policy Development, Swiss Agency for Development and Cooperation (SDC); German Agency for International Cooperation, United Nations/UNDP, TAIEX office of the Directorate General for Enlargement in Brussels, MARRI Regional Centre, and many NGOs. MHRRBiH has been involved also in a number of regional initiatives in the field of emigration (e.g. regional projects implemented in collaboration with TAIEX, SDC, GIZ, MARRI, etc).

In terms of migration, the main challenge for BiH is the coordination and development of migration policy. The MHRRBiH was involved in the drafting process and, in particular, development of the mid-term strategic goal 6 - Strengthening institutional capacities in BiH with the purpose of connecting migration and development - in the Strategy in the Area of Migration and Asylum and Action Plan for the Period 2012-2015<sup>15</sup>. Furthermore, the MHRRBiH is taking part in the working stream of the Coordination body in BiH<sup>16</sup> that supervises the implementation of this Strategy/action plan. Of particular importance, MHRRBiH is actively involved in the current SDC-UNDP project "Mainstreaming the Concept on Migration and Development Into Relevant Policies, Plans and Actions in BiH" which aims to directly include the concept of migration and development into strategic documents of the local municipalities in BiH. To sum up, the MHRRBiH (Diaspora department) is an institution that is directly and actively involved in "diaspora and development" initiatives in BiH.

The Ministry of Security of BiH (MSBiH) is responsible for the protection of international borders, internal border crossings and regulating traffic at border crossings of BiH. The enforcement of immigration and asylum is also an important task in order to establish procedures related to the movement and stay of the aliens. The Ministry is responsible on creation, monitoring and implementation of policy on immigration and asylum in Bosnia and Herzegovina. The priority of the EU migration policy is security; so the main responsibility of this Ministry concerns issues of immigration and asylum. Recognizing the importance of issues concerning migration and development, the Ministry coordinated the process of creation for the Strategy in the Area of Migration and Asylum and Action Plan for the Period 2012-2015<sup>17</sup>. This Document was adopted by the Council of Ministers of BiH in June 2012 and was published by MSBiH.



For migration management that refers to immigration and asylum, direct responsibility is given to the Border Police of BiH, the Service for Foreigners' Affairs, the State Investigation and Protection Agency, the Policy Support Agency, and other administrative organizations. The jurisdiction for the part that refers to readmission is divided between Ministry of Security and the Ministry of Human Rights and Refugees of BiH.

The Ministry of Civil Affairs of BiH (MCABiH) is responsible for matters related to citizenship, citizen protection, residency registration, identity papers and travel documents. They coordinate activities in the fields of science, education and culture and provide additional classes in the native language for BiH emigrants. An implemented activity of the MCABiH in the field of additional schooling is the creation and release of textbooks and teaching programs for emigrant children abroad, of elementary-schoolage. The Ministry has the following

<sup>15</sup> More on: <http://www.msb.gov.ba/PDF/Strategy%20and%20Action%20Plan%202012-2015,%20engleski.pdf>

<sup>16</sup> MHRRBiH has established a national cooperation mechanism through the Working Group Migration and Development with the aim to start and lead respective policy discussions, to facilitate a serious public debate about the effects of migration for the country's progress and to design a better coordination mechanism for well planned joint migration and development actions. This working group will play a steering, advisory and coordination role in the process of mainstreaming migration into strategies and policies, prepare and disseminate country-wide guidelines (policy road map) as well as inputs for the consultation process of a new Country Development Strategy and the Strategy on Migration and Asylum.

<sup>17</sup> More on: <http://www.msb.gov.ba/PDF/Strategy%20and%20Action%20Plan%202012-2015,%20engleski.pdf>



organizational units: the Department of Legal, Personnel and General Affairs, the Department of Citizenship and Travel Documents, the Department of Education, the Department of Labour, Employment, Social Protection and Pensions, and some other.

The Ministry of Justice of BiH, The Directorate for European Integration, The Court of BiH, The Constitutional Court of BiH - are also institutions more or less directly/indirectly involved in migration/diaspora issues in Bosnia and Herzegovina.

*For reasons of space, we shortly present some other relevant institutions, diaspora organizations and international organizations in Appendix A.*



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## 2.1. Introduction

In this section we aim to assess the existing literature which might be useful in obtaining some key insights for research on the diaspora and development in BiH. It is important to stress that this literature review will cover and discuss relevant economic and non-economic determinants of diaspora which might affect development of a country. Development is a multi-source and multi-level phenomenon, and identification of the key channels of influence is particularly important. A nice identification of “development agents” and the potential channels of a diaspora's influence on development is given by Faist (2008, p. 21):

Migration networks and organizations have emerged as development agents. They interact with state institutions in flows of financial remittances, knowledge, and political ideas.

Accordingly, we focus on financial issues (remittances, investment and access to finance), human capital issues (brain drain, brain gain, brain circulation, transfer of knowledge), social capital (networks, social remittances) and institutional issues (institutions, policies, political ideas, organizations, lobbying), ending with the existing empirical literature that was focused directly on BiH. Note, in this study we refer to development in its broad meaning – development includes both increasing the economic welfare of a country's people as well as their non-material quality of life and standard of living (Dornbusch and Fischer, 1994).

## 2.2. Diaspora and financial capital

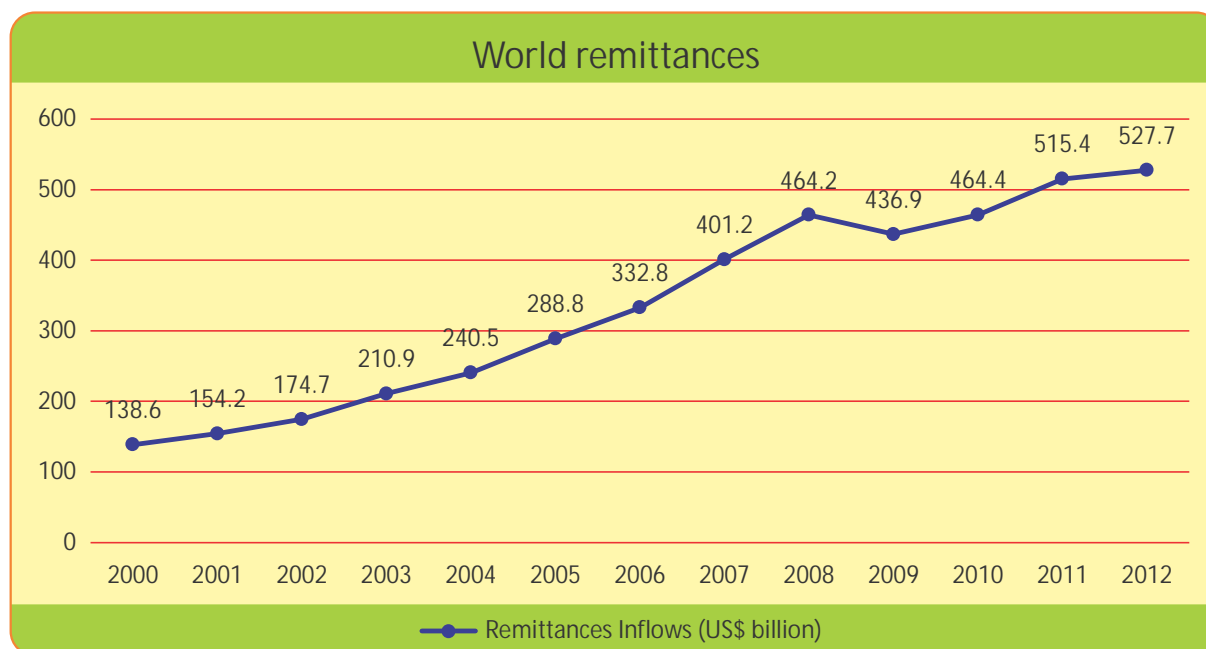
International migration is an important factor affecting economic relations between countries. Accordingly, diaspora today can be considered as a development agent (Faist, 2008), which might bring a number of economic benefits to native countries.

Although it is difficult to separate the economic and non-economic determinants of BiH diaspora that might affect economic development - particularly since they might work simultaneously, through indirect and direct channels of influence - for the purpose of this study we will identify three main economic channels of influence – namely, remittances, investment and access to finance.

Remittances, in its narrow financial meaning (flow of money or financial remittances), are considered as the most visible product of international migration and they tend to be the best measured and recorded aspect of the migration experience (Adams, 2003). Remittances infuse more money into some economies than either foreign investors or foreign banks through loans (Eckstein, 2010). Although some proportion of remittances is invested in business development, the majority of remittances are spent on consumption (Nielsen and Riddle, 2010).

Publicly-available data on remittances are based on official remittance flows, indicating that unofficial remittances are not recorded, and therefore some remittances must be discounted. A transition from informal to formal systems is desirable for development and for security reasons (Agunias and Newland, 2012). The flow of remittances globally has an increasing trend, whilst the level of remittances between different countries is very heterogenous.

Figure 2.2.1. Remittances in the global economy, 2000-2012<sup>18</sup>



Source: UNCTAD, 2013.

Financial remittances carry huge economic potential for developing economies, most often through poverty reduction and investment. Remittances are a source of fresh money for individuals/households, hence, they support the short-run liquidity of the whole system. They also have one important characteristic – they are not dependent on domestic business cycles (Faist, 2008). Accordingly, one solution for supporting the (economic) development of one's native country is through an increase in financial remittances.

The macroeconomic effects of remittances in the short-run will most likely affect total household consumption and also, through the multiplier effect, change the level of GDP. Therefore they will usually produce a short-run growth of GDP. If remittances are used for investment purposes, then a positive effect might remain in the long run as well. Hence, the structure of remittances' spending is important. Sharma (2009) also emphasizes that remittances have an important impact on economic security – they often tend to be more stable than private capital flows and might be counter cyclical to economic conditions in the recipient country. Their indirect channels of influences include increased employment, increased investment, increased public revenues, and generally, an increase in economic incentives. Whether the short-run effect of remittances will cause a multiplying increase in GDP – and the degree of multiplication – will differ from country to country. Generally, benefits might be smaller in more open and import-dependent economies, as remittances might lead to increased imports. The long-run benefits of remittances will occur primarily if they finance capital consumption, which is not usually the case. All in all, the positive short-run effect of remittances is hard to ignore, and some studies do suggest that they support better economic performance by reducing the level, depth, and severity of poverty in the developing world (e.g., Adams and Page, 2005).

Diaspora can also economically contribute to their home countries by providing badly-needed investment, but also by improving perceptions of the investment climate (Gillespie et al., 1999). In addition, Nanda and Khanna (2010) find that even domestic investors who have previously lived abroad often rely on diaspora networks to improve their businesses. Thus, even domestic investment is sometimes determined by indirect diaspora support. Leblang (2010) argues that migrant networks are a key mechanism to support investment from the migrant's host country to their country of origin, for example through direct portfolio investment and foreign direct investment (FDI). These networks are used to support capital flow as well as the provision of relevant information for investors.

<sup>18</sup> Total remittances cover workers' remittances, compensation of employees and migrants' transfers.



Investment is the most important macroeconomic aggregate which positively affects both a short-run increase of GDP (increase in consumption and aggregate demand) as well as a long-run increase in growth (economic development). Hence, the overall effect of investment is almost always positive (ignoring some non-standard cases and practices).

Gillespie et al. (1999, p. 624) identify underlying factors that encourage homeland investment by the diaspora, and these usually go beyond pure economic determinants. Examples include:

- The diaspora maintains a memory, vision, or myth about their original homeland,
- The diaspora is committed to the maintenance and restoration of their homeland,
- The diaspora's consciousness and solidarity are defined by a continuing relationship with homeland.

Similarly, Nielson and Riddle (2010) identify three types of investment-return expectations, held by a diaspora:

- Financial motives – the potential to make money by using their experience from the homeland;
- Emotional motives – altruism and emotional returns which they receive from investing in their homeland, perceiving these investments to be a contribution to stability and development;
- Social status motives – the need for social recognition by fulfilling their patriotic duty and maintaining bonds with the home country.

Nielson and Riddle (2010) focus their attention on a post-conflict environment, which is of particular interest for this research. Interestingly, the authors identify non-pecuniary motivations of diaspora support – such as emotional and social-status concerns - as being more important to members of the diaspora whose origin country has post-conflict status.

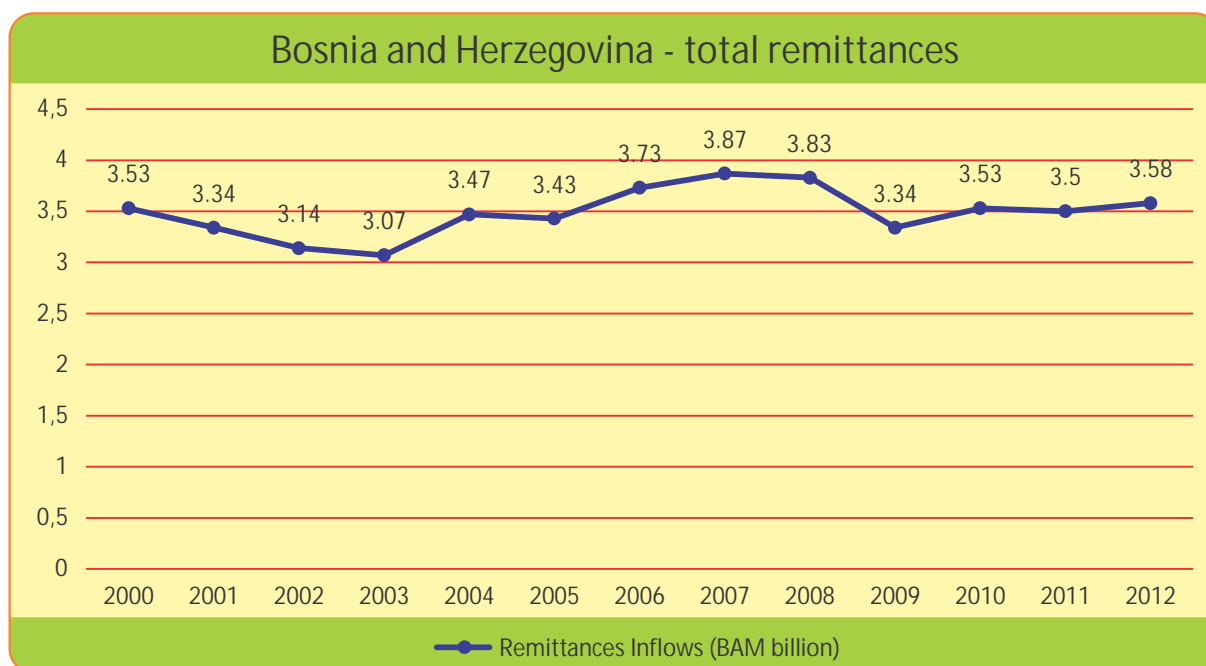
Among standard economic factors (e.g. desire for making profit), the diaspora has some investment advantages that enable them to overcome barriers to entry. These are: knowledge of domestic culture; better access to physical, financial and legal infrastructure and more information on government bureaucracy. To summarise, a diaspora's interest for investment is defined by both economic and non-economic reasons. However, where some non-economic determinants might be partly altruistic, they can also be considered as embodying a diaspora investor's advantage over a foreign investor.

Access to finance and especially access to international capital markets is a continuous problem faced by all over the world (Leblang, 2010). Diaspora networks offer potential conduits to increase access to international finance. By having better connections between home and host countries, diaspora and its networks generally facilitate cross-border investment on both sides and in numerous ways (Leblang, 2010). Nanda and Khanna (2010) report that domestic entrepreneurs who have been part of diaspora are more likely to rely on diaspora networks in financing their businesses, and consequently, have better-performing firms.

## *Context of Bosnia and Herzegovina*

The diaspora remains an important financial anchor for the BiH economy by sending a few billions of BAM annually (1.0 CHF=1.58BAM; 1.0 Euro=1.95BAM; June 2013) – e.g. in 2012 the BiH received around 3.5 billion BAM from abroad (including personal remittances, employee compensations, pensions and other transfers), (CBBiH, 2012). Interestingly enough, BiH is the sixth largest receiver of most remittances (as % of GDP) in the world. In comparison with all other countries, its remittance rate grew the most over the 1995 to 2004 (IOM, 2007). However, over a medium to long run, it is forecasting that remittances to BiH will most likely decrease over time (IASCI/IOM, 2010). There might be the case that the second and third generations of BiH emigrant will stop sending as much remittances as the first generation.

Figure 2.2.2. Total remittances in Bosnia and Herzegovina, 2000-2012<sup>19</sup>



Source: CBBiH, 2013

If we examine the structure of these financial inflows in 2012, the personal remittances are estimated to be around 2.1 billion BAM and around 1.5 billion was related to other transactions, mostly pensions. According to the WB estimate, the “migrant remittances inflow” in 2012 was around 2.8 billion BAM, or around 11% of GDP (WB, 2013a).

The CBBiH functions as a Currency Board arrangement (meaning that there is almost no possibility for it to influence the money market) while BiH has a continuously high current account deficit (because of high imports) – hence, remittances are an important determinant for the stability and sustainability of the domestic currency, - and therefore, the functioning of the BiH economy. The BiH diaspora, therefore, has a great influence on the development of BiH, both current and potential.

The estimated average net savings of a BiH migrant household is around 8,500€ per year (IASCI/IOM, 2010). Due to the large number of BiH households in receiving countries, “retained savings” for 2009 were estimated at around 4.6 billion €. Most BiH migrants are saving their money in countries they live in. Less than 20% of BiH migrants in EU countries keep even a part of their savings in BiH, even though the BiH banking sector is one of the most developed in the region. Migrants who maintain savings in BiH mostly keep it in cash, whilst a small number use other banking services (IASCI/IOM, 2010).

According to IASCI/IOM (2010) estimate, 32.3% of emigrants invested or plan to invest in BiH, and mostly they come from the USA, Canada and Australia. Accordingly, this potential remains unused and more should be done to encourage the diaspora to invest in BiH. According to the same report, only 6.1% of emigrants invested or provided credit to business enterprises in BiH. This is a much lower percentage than in other countries. In contrast, it is interesting to note that emigrants from BiH are still willing to invest in their destination country.

Retail trade, real estate, manufacturing, agriculture and tourism are the main micro, small and medium enterprise investments for BiH investors. Considering small-scale investment ambitions, BiH migrants prefer to invest individually or in partnership with family members, which might indicate higher social cohesion in BiH. Also, accessing affordable and appropriate credit for investment is a matter of great significance. Microcredit providers are preferred over bank loans for investors from former-Yugoslav countries. In conclusion, the preference for taking microcredit services over bank loans reflects investment intentions and short-term ambitions (IASCI/IOM, 2010).

<sup>19</sup> The data includes personal remittances, employee compensations, pensions and other transfers.

## 2.3. Diaspora and human capital

Human capital – the education, training and skills embodied in the labour force – is a key factor for economic growth and development (Barro, 2001; Benhabib and Spiegel 1994). Today's high-income economies have reached high levels of GDP per capita through sustained periods of economic growth which were founded on increases in the population's level of education (Becker, 1993). Due to the importance of human capital for economic development, the impact of migration on the level and growth of human capital has been widely debated in academic literature.

Highly-skilled individuals are more likely to emigrate than their compatriots with less education (Docquier and Rapoport, 2004; Grogger and Hanson, 2011). This phenomenon is known as the 'brain drain'. The conventional view has been that migration poses a threat to human capital in source countries because a greater proportion of high-skilled individuals emigrate than low-skilled. Given the importance of human capital for economic growth, international migration from less developed countries to richer countries has been regarded as detrimental to economic development and as causing increasing inequality between rich and poor countries. Although it is generally agreed that migration of the highly-skilled does have negative effects on economic development, the 'brain drain' theory has been challenged since it fails to recognise that migration can also positively affect human capital development in source countries of migration.

Migration may actually lead to 'brain gain' in source countries (Beine et al., 2001; Stark et al., 1997; Stark, 2004). A country's stock of human capital may be increased by migration because the opportunity to migrate in the future incentivises individuals to invest in their education. Poor economies with low-growth potential offer fewer opportunities for highly skilled individuals which makes it less worthwhile for citizens to invest in their education. On the other hand, the world as a whole does offer good prospects and high rates of return for the highly educated. Thus, the opportunity to migrate at some point in the future encourages individuals to obtain a higher level of education than they would if they were restricted to remaining in their country of origin. Although some of these highly skilled individuals will emigrate, not all of them will. Consequently, the source country will actually experience a net gain in human capital – brain gain – which would not have occurred had the option of migration not been present. Statistical evidence has been found to support the brain gain theory (Batista et al., 2012; Beine et al., 2001, 2011). However, the evidence also suggests that skilled migration prospects only lead to brain gain under certain circumstances. Beine et al. (2011) only find evidence of a net brain gain for low-income source countries which have a skilled emigration rate under 20-30% of skilled workers. They find no evidence of incentive effects increasing aggregate levels of human capital in middle or high income countries.

Additionally, the impact of the brain drain may be reduced by return migration. The brain drain theory assumes that an individual leaves their country of origin and settles permanently in a host country, thus the migrant's human capital is lost to their country of origin. However, not all migration is permanent; much is temporary. Individuals may migrate temporarily for education or to benefit from higher wages to accumulate savings and then return to their country of origin. Furthermore, in recent years many governments in developed countries have tried to encourage temporary rather than permanent migration, issuing a larger share of temporary to permanent visas (Docquier and Rapoport, 2004, p. 18). Return migration means that the migration of the highly skilled may not be permanent. In fact, migrants return with more skills than they left as they may have acquired new skills and knowledge whilst abroad. However, there is some debate whether high or low skilled migrants are more likely to return to their country of origin. The evidence so far is mixed (Dustmann, 2003; Jensen and Pedersen, 2007; Pungas et al., 2012)

Yet, even if migration is permanent, this does not mean that migrants' human capital is lost to the source country. The whole notion of diaspora is based on the idea that migrants still maintain some connection to their country of origin. Whilst migrants may not return to permanently settle in their country of origin, they may still facilitate knowledge transfer to the country and improve the human capital of non-migrants.

Connections to migrants can increase social capital for non-migrants in the country of origin which may be not only beneficial for the individuals with links to non-migrants but also for the development of the origin country in general.

Apart from remittances, other areas where migrants contribute to the sending country are entrepreneurial development and transfer of knowledge and skills- which have been underlined as priorities in the Competitiveness section of the BiH Development Strategy draft.<sup>20</sup> One of the first steps taken in that direction was the project TOKTEN (Transfer of Knowledge Through Expatriate Nationals), which received a lot of exposure due to government efforts to encourage highly-qualified natives of BiH living abroad to accept short-term consultancy contracts. After the project implementation, 32 consultants continued to carry out the cooperation with local institutions participants.

Later, other initiatives included Re-Connect, a Community of Bosnia (CoB) flagship project. Again it included a component to encourage the transfer of knowledge and skills from young BiH citizens living in the United States and elsewhere, to re-engage with their native country and to help the country's development. Further initiatives include, for example:

- Domestic Product Promotion Alliance (a program in which members of the diaspora are expected to invest in production in BiH and to support national companies to compete more successfully in international markets).
- BiH Students (the exchange of ideas and information flows between students inside and outside the country, in order to support the development of BiH).
- Reconstruction, Capacity Building and Development through the Return of Qualified Nationals to Bosnia and Herzegovina (RCDB).<sup>21</sup>
- Temporary Return of Qualified Nationals (TRQN).<sup>22</sup>

## 2.4. Diaspora and social capital

Social capital 'refers to features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit' (Putnam 1995, p. 67). The term 'capital' is used to emphasise that along with financial, physical and human capital, aspects of social organisation can be important for economic growth and development. Financial, physical and human capital are not used in isolation but require interactions between people (Woolcock, 1998). As a consequence, the content and structure of relationships can have a large impact on economic outcomes. For example, some forms of social organisation are much better for the exchange of information, services and goods than others. Thus it is argued that the absence of social capital is detrimental to economic development (Putnam, 1995; Woolcock, 1998; Zak and Knack, 2001).

Scholars researching social capital and migration have focused on the role of personal networks in migration. Migrant networks are a set of interpersonal ties that connect migrants, former migrants and non-migrants to one another through relations of kinship, friendship and shared community origin (Pallioni et al., 2001: 1263-4). Migrant networks facilitate further migration from source countries. Individuals in source countries who have connections to migrants are far more likely to migrate themselves than those who are not connected to diaspora networks. This largely due to family reunification programmes which allow migrants to sponsor family members to migrate to their country of residence. However, beside family reunification programmes, having friends and acquaintances who have already migrated makes migration easier. Diaspora network connections provide potential migrants with better information about destinations, such as job opportunities and housing. These connections may also provide financial aid to migrate, as well as social and emotional support once in the destination country (Massey, 1990).

<sup>20</sup>The Development Strategy of BiH was devised in 2010 and was not adopted by the RS government. Therefore this document has the status of a draft and BiH has neither adopted a development strategy nor a Social Inclusion Strategy.

<sup>21</sup>IOM implemented this program with aim to attract highly qualified nationalities back to their areas of origin and contribute to reconstruction and development; the target host areas were Europe, North America, Australia and Arab countries.

<sup>22</sup>Again IOM project in cooperation with Netherlands to acquired permanent resident citizens to temporarily return to BiH to provide technical expertise in their field.

In addition to affecting the size and type of migration flows, diaspora networks are important because they can be used to transfer knowledge and resources back to the country of origin. As detailed in the section on financial capital above, diaspora networks are an important source of financial capital through remittances and investment. Their presence also boosts international trade. As well as sending home money, migrants send home ideas and cultural practices, norms. This diffusion of culture from receiving countries to source countries via migrant networks has been termed 'social remittances' by Levitt (1998). Social remittances change social capital in source countries as they impact on ideas and norms around social organisation. Such developments can be both positive and negative. For example, practices in receiving countries may impact on gender norms. They may provide examples which help to improve the position of non-migrant women in society and their participation in the labour market; but they could also reinforce traditional gender relations (Levitt and Lamba-Nieves, 2011). Social remittances could also affect development via their impact on politics. The experience of Western democracies may lead migrants and those they influence to take a more critical opinion of homeland politics, in some cases motivating people to push for change. Yet it has also been argued that migration experience can reduce support for democratic principles – here the location of expatriation and the migration experience plays a big role (Levitt and Lamba-Nieves, 2011).

## 2.5. Diaspora and institutional environment

The government of the sending country can engage with their diaspora through economic, political and social bonds. This collaboration typically has two main features: *responsibility/obligations* and *interest* of the origin country in its diaspora.



NEST 071

Some governments consider the need to protect their emigrant population outside their borders (Baubock, 2008), whilst others regard them as traitors adopting "long distance nationalism" (Anderson, 1998). At the same time, governments can also consider their diaspora to be an important source of financial, human and social capital. In that case diaspora investments, remittances and know-how activities can become a part of development policies in the country of origin. As it is frequently advocated, the diaspora might support development programs in the country of origin, lobby its governments, appeal to international institutions, or work to raise awareness of the broader population about contributing to national development (Newland and Tanaka, 2010). In all cases, the roles of diaspora, which varies from philanthropic, voluntary and investment initiatives, might be institutionalised in the origin country (Vezzoli and Lacroix, 2010).

To that end, a number of sending countries, by themselves or with the support of international agencies and/or countries of destination, has developed diaspora engagement strategies and policies. In order to formalize relationships with their diaspora (population settled abroad), countries of origin might start to build mechanisms for channelling diaspora resources into development (Vezzoli and Lacroix, 2010). Frequently, this includes the establishment of different forms of national institutions and strategies, which can reach out to migrants and manage their activities (Gamlen, 2006).

To encourage the adjustment of migrant values towards current national development, development initiatives should be designed with a clear understanding of the characteristics of the diaspora that they are supposed to support; the historical relations between the government and its migrants; and the interests and the objectives of the diaspora (Vezzoli and Lacroix, 2010, p. 4). According to guidelines for diaspora engagement in development published by the IOM (IOM, 2012), each country of origin has to create a link between itself and diaspora needs and interests for development.

Therefore, based on these two main assumptions - *responsibility and interest* - there are several areas which could be addressed when developing the link between institutional environment and diaspora (Gamlen, 2008):

1. *Capacity building* (symbolic nation-building and institution building)
2. *Extending rights* (voting rights/dual citizenship, civil and social rights)
3. *Extracting obligations* (investment policies, lobby promotion)

*Capacity building* refers to policies which aim to create a sense of national identity, need and desire to maintain contact with the origin countries along with the infrastructure to do so (Gamlen, 2008). These policies are frequently divided on the symbolic nation-building and institution building policies. The symbolic nation-state building policies aim to create a transnational identity and increase a sense of belonging on the part of the diaspora towards the homeland (Gonzalez-Gutierrez, 1999). This includes various language, cultural, symbol and media projects, as well as other types of event. The institution-building policies support the establishment of institutions to reach out to migrants, and to support and manage their activities (Gamlen, 2006). It refers to the bureaucratic instruments and systems which adjust to broader global arenas as well as to local communities and urban municipalities. It might be organized within the ministerial-level agency, consular and constitutive bodies, networks, monitoring efforts and dedicated bureaucracy.

*Extending rights* refers to policies which work towards the extension of rights to population resident outside the national borders. It includes both active and passive voting rights, realized through political incorporations either through dual citizenship, and/or civil and social rights. Political incorporation includes voting rights, special membership concessions, embassy voting, parliamentary representatives and postal voting. Political incorporation of emigrants means awarding political rights to expatriates which should then facilitate a better economic use of diaspora. Civil and social services to emigrants appear through welfare protection such as pensions to non-resident citizens, healthcare, advocacy in taxation, and tourist services.

<sup>23</sup> The International Organization for Migration (IOM) and Migration Policy Institute (MPI) have jointly published the handbook.

*Extracting obligations* refers to government efforts to incorporate the diaspora into economic and political agendas. That includes various investments policies and lobbies. Investment refers to policies concerning remittance-capture, broader FDI and infrastructure strategies. Furthermore, it includes knowledge of transfer programs, with a view to mobilizing highly-skilled diaspora to increase knowledge production (Gamlen, 2008). An example is UNDP's TOKTEN (Transfer of Knowledge through Expatriates Nationals) program which facilitates the temporary return of expatriate researchers for short-term consultations or fellowships in their country of origin. The lobbies might be presented not just for political needs but also for business purpose and attracting FDI as well as technology transfers.

In practice, diaspora engagement policy contains different elements of each described policy area which need to be examined, in particular including the following:

- knowledge about diaspora;
- goals and capacities for diaspora engagement in development;
- trust/communication/relationships between the diaspora and country of origin;
- mobilization of different stakeholders (government, the diaspora itself, civil society) on different levels (global, national, regional, local).

These elements are elaborated by Agunias and Newland (2012) in a handbook focused on "Developing a Road Map for Engaging Diasporas in Development"<sup>23</sup>. This study has been developed as a strategic road map for governments to build a constructive relationship with diasporas and examine the success and failure of policies, programs, and initiatives. Our later analysis refers to those elements and investigates them on the ground.

## 2.6. Evidence from BiH

23

In recent years, a number of authors have carried out different analyses on the BiH diaspora and its potential influence on different issues in BiH. We discuss some diaspora related research focused on BiH.

Valenta and Ramet (2011) warns that diaspora engagement policies and initiatives coming from the BiH government have been rather weak. There are no clear diaspora engagement policies in BiH, nor related legislation. Instead, the main institutional actor is the Department for diaspora within the MHRRBiH. It therefore partly offsets the lack of diaspora engagement policies and endeavours to create and implement projects with national and international participants that will support BiH development mostly through financial and knowledge transfer. The authors find that BiH human capital, in combination with a European background (in comparison to non-European migrants), has eased integration into western countries.

Al-Ali et al. (2001) argue that emerging transnational activities of BiH refugees can hardly be defined as transnational in terms of both migrants and communities. They should rather be understood as heterogeneous and diverse due to the current political, economic and social development in post-Dayton BiH compared to the country of residence, which shapes refugees' shifting strategies and practices. A fine example of this is the high number of BiH refugees with an advanced education, who BiH politicians are still not considering seriously for post-war reconstruction.

Eastmond (2006) investigates return strategies adopted by BiH refugees in Sweden. According to her research, the return from Sweden to BiH should be understood as a dynamic and open-ended process. Instead of permanent return, BiH refugees have rather adopted a transnational strategy of short-term and seasonal visits, remittances, and so on. Permanent return is more related to the BiH socio-economic context and a sense of belonging. Crucial to these activities is the existence of dual citizenship, which enables refugees to engage in the development of BiH.

Jakobsen (2011) examines the remittance-institutions-development nexus in BiH. He looked at the potential influence of remittances on BiH economy. Taken into account a variety of findings made about the relationship between remittances and development in previous studies, he argues that remittances might have a certain influence on economic growth in BiH. However, that influence is temporary and requires improvement of the economic and political institutional framework, followed by the inflow of FDI to BiH.

Kent (2006) analyses potential contributions of the BiH diaspora to development and economic growth. This article examines BiH World Diaspora Network, created after the large increase of BiH refugees abroad. The author finds the relation between diaspora activities and war recovery to be unclear. He recommends actions that host countries should take to fully comprehend how development agencies and diaspora networks should be coordinated.

Halilovich (2012) investigates the relationship of BiH diaspora organisations and networks with BiH. He also explores recent scholarly literature in Australia, the United States and Europe that study BiH cultural habits. According to the author, the "transnational" conceptual framework should be updated to include "trans-localism," which is the concept he uses in his research.

Valenta and Strabac (2011) focus on the transnational exchange that connects BiH migrants (in this case mostly from Europe) with non-migrants in BiH. The data for the study was gathered in an ethnographical manner. The authors find that relatives do not help each other because they want to, but rather because they feel they have to. They indicate that the most important motivation for transnational activities is a feeling of obligation towards family and relatives in BiH.

Nikolic et al. (2010) look into the effects of brain drain and its possible consequences. The authors consider that BiH is not doing very well in co-opting highly-qualified BiH diaspora to stop brain drain. Their research shows that the BiH diaspora has brain gain potential and it is crucial for BiH not to miss these developmental opportunities. Apathy over this issue may result in not only losing young people with great potential currently living in BiH, but also those already living abroad.

Dimova and Wolf (2009) used longitudinal data from BiH to investigate the possibility of remittances triggering chain migration. The study shows that remittances have a positive impact on the migration prospects of potential migrants. Unemployment and a low standard of living are the main drivers for people to leave the country. Their research shows that young, healthy and educated people are most likely to migrate.

Williams (2006) analysed the link between property restitution and sustainable return. His findings confirm that property restitution has been crucial for sustainable return, and it could subsequently be used as an example for post-conflict projects in other countries. He also points out that lessons learnt in BiH should be a guide for planning other peace missions.

After this short literature review we can conclude that there is a lack of research that investigates more directly potential effects of diaspora on development in BiH, and there is a lot to be done before this link becomes better explored. This study provides more specific investigation that should contribute to better understanding of the potential of the BiH diaspora to economic development.



### III. BiH - DIASPORA - POTENTIAL FOR DEVELOPMENT

#### 3.1. Analysis of state officials' perceptions at all administrative levels

##### 3.1.1. Introduction

A number of sending countries have started to institutionalize relationships with their diasporas. Some governments claim to be motivated by national interests such as development, whilst others are motivated by a feeling of responsibility to population settled abroad (Gamlen, 2008). Yet the complex institutional environment in BiH, the different nature of emigration flows from BiH over previous decades (Velanta and Ramet, 2011), and the overall difficulty of transitioning to a democratic and market-oriented economy, have made it challenging to establish clear and concise diaspora engagement strategies.

In order to examine the current performance of institutions at all administrative levels in diaspora engagement, our analysis therefore examines the following elements (introduced in Section 2.5). First, it identifies goals and capacities towards diaspora engagement strategies. Second, it maps diaspora through an existing database, which also captures how state institutions gather information about diaspora and communicate with it. Third, it examines the relationship between trust and mobilization of the diaspora by focusing on the current business climate, different kinds of social and political rights, as well as cultural programs offered and exchanged with the diaspora.

##### 3.1.2. Sample characteristics

The methodology is based on in-depth interviews with state officials in BiH at all levels: state, entity, cantonal and local, including the Brcko District of BiH (DB). It includes interviews with 24 state officials: state level (3 officials); entity level (2 in FBiH; 3 in RS); DB (1 official); cantonal level (12 officials); local level (1 in FBiH and 2 in RS). The list of institutions and state officials, as well as their positions, are attached in Appendix B. The interviews were conducted between May and July 2013. Due to the main research focus - BiH diaspora and development - most of the interviews were conducted in the ministries of economy and development, including several interviews with ministries for refugees, specialized state agencies, the chamber of commerce and municipalities. All interviews were conducted in the offices of state officials, with the exception of two which were conducted in the written form and through the phone.

Two problems for conducting the fieldwork were identified: namely, the time taken to organize interviews and the difficulty of organizing interviews with state officials, especially in the entity RS. First, the arrangement of interviews with state officials usually took one-two months and included extensive phone/email correspondence; and second, different ministries within the RS government were contacted several times by letter, phone and emails, whilst either contacted institutions nor state officials expressed a willingness to accept the invitation for interview. To offset the lack of access to state officials in the RS government, interviews were arranged with representatives from the university, RS chamber of commerce, and the city of Banja Luka.

The duration of interviews varied from thirty minutes to one and a half hours. The time assigned for interviews was around one hour, but in some cases state officials took more time to present their views. Interviews were organized around three main questions: diaspora development potential; the capacity of institutions to engage diaspora in development; and the main advantages and obstacles for diaspora engagement in development. In accordance with the answers and set up methodology, the analysis integrates all interviews and presents perceptions of state officials by introducing all institutional levels: state, entity, cantonal and local (municipality).

### 3.1.3. Identifying goals and capacities

#### Goals

State officials at all administrative levels share a common opinion about the potential of BiH diaspora to support development of BiH. According to state officials, the diaspora's financial and human capital can have a strong impact on development in BiH. In their opinion, the majority of BiH migrants who left the country in past decades have been successfully integrated into host countries, and therefore represent a big potential for the development of BiH through their financial resources, knowledge, skills and networks. In addition to these statements, state officials at all levels often listed some examples of successful outcomes from the diaspora; such as investment, transfer of knowledge, technology, economic lobbying, and financial support to BiH population through remittances. For example, according to *a state official at the national level*, diaspora is not only a representative of BiH, but also a financial resource:

The issue of diaspora is of particular importance for our institution. They are the best ambassadors of our country but also a source of 'fresh money'. There is a huge inflow of money through diaspora. Diaspora remits annually billions of US dollars, and invests millions of dollars through various activities, which is presented by statistics, as diaspora participates in GDP with 13-14 per cent annually.

A state official at the national level further emphasised the importance of diaspora for economic lobbying, and their potential as the main tool for promoting BiH economy.

A similar opinion was given by state officials at *the entity level* according to which BiH diaspora presents the best human potential for development in BiH. Through knowledge and skill, as well as the high inflow of remittances to families and friends, the future development of BiH could be directed in more productive ways:

Diaspora gives billions of dollars through remittances, which at the moment goes to their families. That is good, and we need to think that people should have interest to invest in the country through their cousins, provide them with a work place and help this country. Overall, the potential of diaspora is immense. There are new generations in BiH diaspora who have gained new technologies, new skills, and in any form, as BiH citizens, as dual citizens, or citizens of some other state with BiH origin, present forever potential for the development of BiH. The state which today gives up its human capital has no chance for progress and development. Therefore, we need to look for good practices from other states and implement them.

In addition, at *the cantonal levels* state officials presented some successful examples of diaspora investments, support in attracting foreign investors through their personal networks, and the transfer of money, knowledge and new technologies in cantons. According to the majority of interviewed officials at cantonal level, without the support of the diaspora, the cantons would face serious economic problems. This refers mostly to financial support provided by the diaspora for their family and friends, as well as their investment in housing, and occasionally in business, including FDI and green field investments. An example is the following:

If we cut now the financial support of diaspora, the situation in our canton will be terrible. At the same time, we cannot say that we have a lot of investors from diaspora. But the one's we have are very important. For example, I am talking about the biggest factory of sugar production in the region, which is from our diaspora.

A similar opinion was provided by state officials *at the local level*, who see diaspora as the main resource for development of their local municipalities. They argue for a more intensified and organized use of financial and human diaspora potential for development by citing the best examples of diaspora investors in their municipalities, as well as support for them. To that end, here is the statement of *an official at the local level*:

We recognized economic and social potential of our diaspora due to the number of diaspora, their education, financial support, and their sentimental attachment to the city. In our local municipalities every second, if not every household, is financed by family settled abroad. Where we have diaspora, it is easy to resolve any problem. If we, for example, have difficulties in financing some local projects, they are always willing to co-finance it. With the level of current unemployment, without help from diaspora, this municipality would face serious difficulties. For this reason we have started to think about organizing activities which will mobilize our diaspora to support the development of our municipality.

Overall, state officials at all levels agree that the successful examples of financial support, investors and economic lobbyists from the diaspora are insufficient in comparison to their potential. It is a similar case with human capital, where both the transfer of knowledge and skills as resources for development need to be further explored. According to the majority of state officials, it is time to mobilize diaspora and prevent them from losing connections with BiH. This is particularly relevant to the mobilization of second and third generation migrants, due to their human capital as well as their greater distance from BiH. Generally, state officials agree that the current BiH diaspora is well-connected with BiH, but it is unclear whether the next generation will be.

## Capacities

The gap between identified goals and unused potential of diaspora has been further explained through institutional capacities and their ability to utilise the financial, social and human potential of diaspora. *At the state level*, institutions directly responsible for diaspora have developed several projects to foster diaspora engagement with development in BiH. These projects focus on both financial and human capital, and they include all institutional levels in BiH. However, their current capacity to engage the diaspora in development is limited due to insufficient staffing, a lack of relevant laws and institutional cooperation for issues of diaspora, as well as the awareness of institutions about diaspora potential for development and the general complexity of the political and economic situation in BiH. The opinion of interviewed state officials might be summarized by this quote of *a state official at the national level*:

We realize the importance of linking diaspora with development in BiH. Also, over time they might lose their relationships with BiH, especially the second and third generation. Therefore, we initiated several projects in that direction, and some of them showed some really good results. Unfortunately, these projects often lacked state support. Therefore, I think migration and development, as a new term, needs to be systematically connected to the state level. As an institution, we cannot create a law or oblige someone to implement new policies. But we can suggest. And there are already some positive reactions on our proposals and our initiatives, which need to be pushed further.

*At the entity level*, state officials agree about the lack of capacity for diaspora engagement in the development of BiH, but also about the lack of institutional cooperation and partnership relationships with the diaspora. To that end, they presented several strategies that have recently been developed. For example, in FBiH, a ministry adopted a new organizational strategy which includes the employment of one/two persons

responsible for issues related to the diaspora. It is further planned to transfer this activity to the cantonal and local level, who will employ one person for the management of diaspora issues. Namely, according to state officials from FBiH, diaspora should be looked at through an economic lens, and it should be considered as a partner in the development of BiH. In the overall process of establishing capacities for diaspora engagement strategies in development, local municipalities should be given main responsibility. A *state official at the entity level* argues:

We usually talk about diaspora as somebody who has to give something to BiH. But, I think that BiH has to give something to its diaspora. There should be a two-sided communication, and that communication must be organized. The interests of both parties must be recognized and united. Our diaspora, I mean our people who have money, idea and vision - if you tell them what is the quickest and best way of investing in BiH - they will come. I am convinced that they will come because of interest! Why invest in some far away country, when it is possible to invest here. Therefore, we must build an effective state; but we must first relax BiH politically. And local municipalities must take a main role on the ground for activities regarding the diaspora. People will always invest but in their local municipalities first of all.

In comparison to state and entity level, state officials at *the cantonal level* refer to their general current capacities, whilst addressing issues of diaspora and development. For example, in the case of investing capital, diaspora has access to all facilities available to both domestic and foreign investors. Such facilities include: tax facilities, various regulations, laws, private-public ownership, building permits and others. However, the implementation of proposed facilities as well as the attraction of domestic and foreign capital is influenced by the general political and economic situation in BiH. A lack of institutional cooperation at all levels as well as the position of cantons in FBiH, with their lack of ability to influence decision-making, further complicates the establishment of capacities for diaspora issues. In the opinion of a *state official at cantonal level*, a state needs to improve the political and economic environment, whilst taking more responsibility for BiH diaspora:

Ten of us will come and we will talk about what we should do, but that is not a solution. We don't have any database, important contacts, etc. What I would like to say, is that this is a 'diasporic canton', but the diaspora is not organized, and we, as institution, are not able to organize something more. We have been trying to establish something through our personal contacts, but we do not act as the state, and that is a problem. BiH is not doing anything for these people now, I mean institutionally! The diaspora needs an institutional point of entrance in BiH – and then other things will happen. Meanwhile, we do our best to meet their demands given our existing capacities and abilities.

Furthermore, some state officials see a difficulty in implementing their ideas for diaspora engagement in development due to the obstacles at cantonal level. State officials have divided opinions about the role of local municipalities in establishing capacities for diaspora development strategies. Some state officials argue that the role of the state in linking diaspora to development is crucial, whilst others agree that the diaspora tends to connect more at the local level.

In contrast to the pessimistic perception of some state officials about the role of local municipalities, state officials at *the local level* seem to demonstrate rather positive opinions about diaspora engagement strategies. They agree that the complexity of the institutional environment, as well as the political and economic one, is influencing but not preventing their initiatives to engage the diaspora in the development of their municipalities. Indeed, municipalities included in this analysis show collaborative institutionalisation of relations with the diaspora, as well as with other state institutions. This confirms a *state official at the local level* who remarked:

We change every strategy in accordance to needs of diaspora. If there are problems at the state level, we try to resolve it, at least temporarily. For example, we pursue diaspora enquiries with other ministries, or we simply give temporarily building permission, for example. We also plan to develop a department for diaspora, in the near future. In the meantime, we are organizing economic forums for diaspora, and we have announced 2013 as the year of diaspora. This forum is actually initiated and supported by people from our municipality, who now work for state institutions and international organizations.

In addition, one state official described state efforts to adjust municipality development strategies and programs with diaspora needs. Another state official described how the municipality adjusted its administrative work to accommodate the schedules of diaspora during their visits. Such measures include: the working hours of administrative staff, the acquisition of permits, the provision of information, and so on.

### 3.1.4. Mapping BiH diaspora

#### *Data base*

State officials generally agree about a strong need for a database on BiH diaspora. According to state officials, a data base that provides information on number, education, gender, skills, ethnicity, status in host countries, and other information, is crucial for establishing strong relationship with the diaspora. This might be summarized by the quote of a *state official at the entity level*:

We need a kind of 'inventory' of our diaspora, to know who they are, which of them have firms, which want to return, to invest in BiH, etc. I am not sure whether we can locate where activities regarding diaspora begin and end.

Most of the state officials interviewed were not aware of the existence of any database on the BiH diaspora. The exception was only at *the state level*, where state officials talked about their efforts to create a database on BiH diaspora organizations, scientists, the highly-skilled, and to some extent, investors with BiH origin. However, there were various obstacles to gathering these data. Not only that there is no diaspora census or resources from diplomatic representatives, but there have also been regulatory changes that complicate data collection on investments made by the diaspora. Equally important to this is the absence of a definition of the diaspora itself. For example, at *the state level* the term "BiH diaspora" has been used in a more general way. There is no division of BiH population, and all emigrants from BiH over space and time are considered to be diaspora. For them, the further use of diaspora requires more academic support to clarify the definition of diaspora.

At the other institutional levels, state officials confirmed the lack of a database and presented a quite loose understating of the term "diaspora". At *the entity level*, state officials acknowledged the lack of a database and expressed opposing definitions of the term diaspora. In interviews with RS officials, diaspora should be categorised more in relation to different emigration flows, including those from 1960s, 1970s, 1990s and onwards. For FBiH officials, "diaspora" tends to refer to all people with BiH origin who have dual citizenship, or who have roots in BiH.

At *the cantonal level*, there is no evidence of data bases but there are an even greater variety of understandings on the term "diaspora". For example, state officials frequently have difficulty understanding whether returnees who have invested in a canton should be considered as diaspora or not. Other state officials insist on defining the diaspora mainly in terms of their economic potential to BiH, ignoring refugees or potential returnees. Conversely, there are a number of state officials who consider the BiH diaspora to be mainly made up of those who left the country in the 1990s. There are also state officials who refer to the definition of the BiH

diaspora by only recognising diaspora in countries that are highly consolidated, and in which a majority of their diaspora live; such as Croatia, Austria and Switzerland.

Finally, at *the local level*, interviewed state officials demonstrated their understanding of diaspora more through the situation on the ground. They refer to diaspora simply as people who are regionally attached to the municipality, and who are linked to it through family and friends. In addition, no database exists at the local level either, but due to closer connection with individuals and organizations, municipalities are provided with more information - as was mentioned by state officials.

## Communication

A majority of state officials regard the communication gap with their diaspora to be an obstacle in mobilizing diaspora for development. Although their opinions about who should initiate this communication - BiH or diaspora – are divided, they almost unanimously agree that the state is not engaged enough in terms of mapping the diaspora. Moreover, the majority of state officials argue that most of the past/present initiatives have been coming from the diaspora itself.

Therefore, most of the current communication at *the state level* is organized through the internet and diaspora organizations. There has been an exchange of information and participation in activities organized by both sides - diaspora and BiH - but this does not include all organizations and potential members of BiH diaspora. This is influenced by two important factors: first, it is difficult to reach all members of BiH diaspora due to lack of their attachment to diaspora organizations in general; and second, it has to be acknowledged that not all ethnic groups in BiH are related to BiH diaspora organizations equally. This contrasts to BiH Serbian and BiH Croat diasporans, a high percentage of who are attached to and involved with a diaspora organization from Serbia and Croatia respectively. This has also been claimed by *a state official at the national level*:

Most of our contact with diaspora is through the internet, where we announce all our activities. We also have direct contact when some of our events are organized. But, the contacts are mostly with organizations, which present an additional problem. The majority of individuals are not members of organizations. It is also important to mention that the Serbian population from BiH is attached to Serbian diaspora organizations. The same goes for Croats.

At *entity level*, communication with BiH diaspora becomes even more complex. In RS, state officials communicate initiatives to engage with the diaspora mainly through RS representations internationally, as well as the economic departments of other BiH embassies. At the same time, the FBiH officials' experience of communicating with diaspora is mainly through individual initiatives/requests by the diaspora upon different institutions in FBiH, which frequently do not collaborate with each other to perform these requests. *A state official at the entity level* demonstrated the practical side of this communication by saying:

I, for example, have been working with returnees for a long time. I have realized that people must have a vision and a chance for employment, housing and infrastructure. Many people have good ideas but they do not know how to realize them. Or *vice versa*. And only if people meet, talk, or if we provide them with good communication, something might happen. This is the only way!

In addition to difficulties in communicating with BiH diaspora, state officials at *the cantonal level* have mentioned further complexities as well as various strategies towards establishing communication with BiH diaspora. To that end, a number of state official do not consider communication with the diaspora to be a main obstacle for their engagement in development; rather they cite the main obstacle as being the complex economic and political environment in BiH. For example, state officials frequently mention an informal way of

communicating with members of diaspora (both individuals and organizations) through either personal or local population networks. This form of communication has produced some successful business partnerships, and therefore some state officials believe that there is no need for a formalization of relationships with the diaspora. The focus should be on creating a better investment climate. In cases where the communication with BiH diaspora is good, it is usually based on pre-existing (i.e. pre-war) strong links with countries such as Croatia, Austria or Switzerland. Due to strong links between some cantons and diaspora organizations in these countries, there are organized visits between cantons and diaspora in these countries. For other cantons, diaspora issues are quite new, and further communication is likely to be integrated into future development strategies. What is common for most cantons is that the majority of state officials, whilst highlighting the importance of a database, acknowledge the importance of BiH diplomatic work, or that done by state institutions, in gathering information on BiH diaspora. In their opinion, a database is important for any further plan and activity with BiH diaspora, whilst opinions about the institutionalization of relationships with the diaspora at the state level are divided. Whilst some prefer informal communication, others believe that communication with the diaspora will give results only if it is conducted through institutions at the state level. To that end, here is a quote of a *state official at the cantonal level*:

There are examples of good communication between diaspora organizations and this municipality. I also know of individual examples between cantons and countries, which is not a guarantee of any concrete results. We cannot make system like that, with hundreds of associations and organizations. We need to work out how to gather these organizations and individuals, and provide a place where the diaspora can get the information and direction they require for activities in BiH. Perhaps a kind of an institution or agency, to which embassies will serve as source of information about diaspora.

Finally, despite the doubts of state officials at cantonal level, state officials at the *local level* have not commented on the difficulty of establishing communication with the diaspora. In contrary, there are a lot of cases of communication with the diaspora conducted at the *local level*. This refers to both individuals and diaspora organizations. Moreover, the communication at the local level is mostly reciprocal – it comes from the diaspora and from state officials in local municipalities, which has been more elaborated in the next section focused on municipality officials only. According to local state officials, there is a closer link between diaspora members and the identification of their problems and ideas. For example, there are examples of diaspora visits to local municipalities, as well as to local diaspora members in their cities in the EU. Based on support from diaspora networks and organizations, the organized visits of local state officials to diaspora local cities abroad frequently entails establishment of various forms of cultural and even economic cooperation.

### 3.1.5. Trust and mobilization

In light of the aforementioned, state officials currently have different experiences and practices in creating a relationship of trust and mobilization with the diaspora – some targeting the facilitation of investments, and others providing different kinds of rights for diaspora members. As already described, in the majority of cases the relationship is limited to existing development strategies and institutional practices at different levels. Exceptions are at *the state* and *local level*, where state officials have presented several initiatives for diaspora engagement strategies which aim to build a relationship of trust between the diaspora and BiH institutions, whilst mobilizing the diaspora for development. For example, *at the state level*, state officials introduced projects developed in cooperation with international organizations such as the IOM, WUS, SDC, the BiH World Diaspora Organization; mainly addressing issues of brain gain, return and remittances. These projects resulted in initiating the mobilization of diaspora for development in BiH, as well as the potential for institutionalizing the links between the diaspora and development at different levels in BiH. This includes introducing migration and development into new state strategies, e.g.: *Strategy in the Area of Migration and*

*Asylum and Action Plan for the Period 2012-2015*, which adopts and recommends links between the diaspora and development. Furthermore, *an official at the state level* presented the latest project of diaspora engagement in development in targeted local municipalities, which is likely to have a high potential in mobilizing the diaspora for development in BiH:

This project will be implemented in ten municipalities, equally distributed across the whole country. The project is integrated in the UNDP project of strategies for local development, where migration should be embedded in national development strategies, in accordance with municipality preferences. For example, through knowledge transfer, financial support, education, health or other forms of support to specified sectors. Learning from difficulties we have faced in previous work, we thought this might be the best way to initiate a link between migration and development, and then transfer it at other institutional levels.

At *the entity level*, state officials refer to creating a relationship of trust and mobilization of the diaspora, through existing capacities as well as through new institutional cooperation initiatives. A *state official from RS* gave an example from a regional project between chambers of commerce, where one of the conclusions was that the diaspora has to be considered more seriously in further economic activities in BiH:

We just had one meeting within the NET, a regional project, where we with other partners from FBiH discussed a possibility of lobbying for a greater role for the diaspora in the promotion of BiH economy. One of the conclusions was that we needed to improve and use an organized infrastructure which supports cooperation and connection with diaspora. We took this into consideration at several levels.

To this end, state officials at *the cantonal level* presented different examples of investment facilities which are not directly oriented towards BiH diaspora, but certainly might tackle the diaspora as potential domestic and international investors in BiH. For example, one state official presented rural areas and the production of water, where the diaspora might be involved to stimulate funding and to participate in projects of rural development. Furthermore, there is an example of free industrial zones, which the diaspora could use to establish new businesses in BiH. This particularly tackles various kinds of permits and other administrative obstacles, which currently take a long time to obtain or to start a business. In other cases, state officials at cantonal level gave other examples of stimulating funding for the development of small and middle size enterprises as well as private-public partnerships and the recognition of diplomas for specific jobs. Every year cantonal governments, in coordination with FBiH, assign a certain amount of funding for those who are likely to establish a small and middle size enterprise; there are new regulations for private-public partnerships; and moves to recognize diplomas for particular types of job. In more cases, state officials presented the development of intersectoral cantonal teams, which will work on the development of canton, including the mobilization of diaspora. Moreover, significant number of state officials strongly emphasized the possibilities for production in BiH, which have emerged from the entry of Croatia into the EU and the instigation of customs-free exports to Turkey. According to *a state official at the cantonal level* these opportunities should be taken more seriously:

We have some situations where businessmen from Croatia start to contact people here, who work on similar jobs, and have already started a business. It is simply cheaper to dislocate production from Croatia to BiH. BiH is a member of CEFTA, and there is also the opportunity of exporting to Turkey without import duties. People see an opportunity here, but I just think that the general investment climate is a key obstacle. So, we are planning to establish an office for cooperation and investments in the canton. We have signed cooperation agreements with other cantons in BiH, and some regions in Croatia. In this way, we will show our people that there is a place where they can send their requests; and this covers diaspora as well.





Again, the majority of state officials at cantonal level further stressed that the general investment environment and burden some administrative procedures are the main obstacles to creating a relationship of trust with and mobilization of the diaspora. In addition, a number of state officials underlined a lack of infrastructure and corruption in BiH. For example, *a state official at the cantonal level* cited an example of potential investors who confronted a lack of infrastructure and professionalism in the administrative service of BiH:

Recently, we had one potential big investor in yacht production, who had been invited by our diaspora. They told us that only reason they decided not to invest here is that the place looks like a “war zone”. It is a big old production hall, which was partly damaged during the war. We don't have the money to repair it, and I personally think that the state should help us more with infrastructural problems. I also think that more success is made by people who decided to return and invest. I saw a lot of cases of those who had been trying to establish their business here through different intermediaries, but they all failed. You have to take care for every step of your work if you would like to be successful. And you also need to know where to look for information and how!

At the same time, the majority of state officials at the cantonal level believe that all administrative barriers, which are under the responsibility of the cantons, could be overcome and adjusted to the needs of diaspora.



Finally, there are state officials who believe that creating a relationship of trust and mobilization of the diaspora is not likely to be developed through activities which address the "diaspora" separately to other national and international investors. This is mainly because of the negative perception of diaspora which has emerged during the war, but also in the post-war period:

We don't have any concrete activities which are targeted exclusively at diaspora. For example, we promoted our economic potential in Italy, Austria and Germany. In addition, we took our successful entrepreneurs with us, including the diaspora investors. The Austrian Embassy also recently organized visits of our people [diaspora], who have contacts or firms and want to invest here. It was about twenty people, who came here to see the conditions and possibilities of investing. In all cases, we never called them diaspora. I think that people don't like that term, and we prefer to say national and foreign investors. You know when we say diaspora, it usually means they were not here when it was 'shooting'.

In addition to this statement, there are other state officials who agree that the term diaspora still has a negative connotation among some BiH citizens. We can mention two potential reasons for this: some perceived or used to perceive BiH diaspora as "traitor" who left the country during the war. Also, irrespective of the war related perceptions, the local population sometimes sees the BiH diaspora as the summer visitors who come just to 'show off' and do 'things' they are not probably able to do in their countries of residence. Such perception strongly influences the relationship between the diaspora and BiH, and the state needs to take more responsibility in introducing the diaspora through positive examples and practices.

In summarizing the statements at different state levels, state officials at *the local level* demonstrated their current relationships and mobilization of diaspora through concrete examples. In one municipality, state officials presented several initiatives that have created a relationship of trust and mobilized the diaspora. One refers to the diaspora economic forum, which has been organized for the first time this year. The idea behind the forum came from highly-skilled professionals from the municipality who have resettled within and outside BiH, as well as examples of successful firms that have been established by diaspora. Notably, state officials remarked that a good political environment in the municipality has had a great impact on diaspora investments, as well as collaboration between potential diaspora investors and the municipality. An example of this is one of the biggest firms established by a diaspora businessman, whose investment required a complete change of the development programs of the municipality. That included both changes to the strategic plan, as well as co-financing support for the investment from the municipality. In another municipality, a state official indicated their initiatives for establishing a relationship of trust with the diaspora, which will hopefully bring more possibilities for development in the future. A *state official at the local level* argues:

We have a need to seriously include our diaspora in the development of our local municipality. We are developing industrial zones, and the next step is to convince our diaspora to invest their capital here. It will be difficult in regards to all the disadvantages here at the local and state level. Most of all, due to political and economic insecurity, people simply don't trust BiH institutions. They have spent a lifetime in very well organized states. For all that we need to think first how to fix our place. And we decided to rearrange our administration. This includes staying open at the weekend, when our diaspora from Austria (where the majority live) come here. If we will wait for embassies and the state, nothing will ever happen.

Moreover, state officials at *the local level* acknowledge a good relationship and collaboration with diaspora at other levels, such as through religious and local cultural associations. This collaboration has frequently facilitated the establishment of other forms of collaboration. For example, collaboration with local diaspora organizations frequently resulted in organizing visits to their new cities of residence, as well as twinning between the cities. According to a state official, more intensive communication between the local municipality and diaspora, as well as good organization of their diaspora, should be a pre-condition for further collaboration with the diaspora, as well as to build the trust of the diaspora in BiH institutions. *A state official at the local level* explains:

At the beginning of my mandate, I contacted the diaspora. I went to visit them, in an organized way. It means organizing meetings with local municipalities where they live. I noticed that they are very well-integrated and respected in their cities. But they have simply lost confidence in BiH state, and that blocks further collaboration. To rebuild the confidence of the diaspora, we also assigned one place in the municipality to work on diaspora issues. I would like to let them know that we do care for them! I think it is simply possible to be more functional at the municipality level, although, of course, many things also depend on the general situation in the country.

According to interviewed state officials, the diaspora has rarely been consulted in development planning or investment activities at any institutional level. Although all state officials expressed openness towards such ideas, and awareness about the potential of diaspora, there is hardly any initiative to take responsibility of diaspora by providing different kinds of rights, such as the facilitation of access to health care, education, and other state services. Moreover, with some exceptions at state, entity and cantonal level, state officials hardly expressed any opinion about political rights as well as the importance of dual citizenship and voting rights. Although none of the state officials denied the importance of political rights, the majority



preferred to support the establishment of partner relationships with the diaspora for economic reasons, as well as to build potential collaboration through cultural events, business forums, language courses and others. Overall, according to *a state official at the cantonal level*, the question of diaspora and development in BiH should overcome the past, and, therefore, economic interest should be pursued over other issues:

I think that the problem with diaspora is that our relationship with them is heavily dependent on our recent past. By this I mean it is based on taking care of refugees. ...It is a different kind of diaspora today, with economic interests and business at the center.

Therefore, with the exception of the state and local level - where cultural, political and other forms of collaborations are considered to be important - other state officials prefer to talk about economic interests and collaboration with the BiH diaspora through investment, transfer of knowledge, and skills.



### 3.1.6. Conclusion

State officials at all institutional levels share a consistent opinion about importance of diaspora engagement in BiH development, and primarily through its financial and human capital, including in particular diaspora investment, remittances, transfer of knowledge, technology, economic lobbying and various forms of other financial support. We identify differences/difficulties between the existing institutional capacities and consequent possibilities to activate diaspora potential in development including in particular challenges in mapping diaspora, communicating with the diaspora, improving trust and wider diaspora mobilization.

State officials at all levels almost fully agree that there is a lack of institutional capacities for more active diaspora engagement in development; that is primarily reflection of the complex administrative, economic and political environment in BiH, further challenged with a lack of institutional cooperation. Consequently, the state level officials emphasize problems of inadequate state support that might be partly explained by a lack of knowledge about the relationships between diaspora and development (as a new term), which we also identify at the other institutional levels as well.

Furthermore, at the entity level we identify a lack of cooperation with other relevant institutions as well as a lack of cooperation between the entities. While in FBiH there is some evidence of strategic approach to diaspora engagement in development at the entity level, in RS it almost does not exist. At the cantonal level, the state officials emphasize their limited independency in decision-making, a lack of support by the state and lack of collaboration between cantons as the main obstacles for diaspora engagement in development.

One of the challenges of a greater diaspora involvement in BiH development that we systematically identify is heterogeneities in different institutional levels in their mapping of BiH diaspora. State officials, on average, agree that there is a lack of comprehensive database that is followed by a lack of the diaspora census, support of diplomatic representatives and above all, a lack of definition of "diaspora" - we identify some differences between institutional levels in terms of different understanding of the term diaspora.

State officials frequently refer to a lack of communication with diaspora as one of the main obstacle for initiating mobilization of diaspora for development. Majority state officials, in particular at lower institutional levels, agree that diaspora has been more active in initiating initial communication. At the state level, the state officials agree that communication is based mostly with different diaspora organizations and groups, emphasizing that this is not sufficient; they argue that communication should be improved with all citizens around the world having BiH origin. At the entity level, state officials argue that communication with diaspora is organized mostly after individual diaspora requests, and with evident lack of institutional support. At the cantonal and local level, state officials share opinion that informal communication and closer link to diaspora members through informal way has been also present. We identify that, in general, there is evidence of informal non-systematic communication with its diaspora as moved towards lower institutional levels.

State officials share different experiences in creating a relationship of trust and mobilization with the diaspora. Mainly at the state level, and with much smaller extent at the entity level, the state officials presented convincing activities which have been addressing a link between diaspora and development. This refers to several projects, programs and strategies over the past ten years. At the cantonal level, that is rather not the case.

## 3.2. Analysis of municipality officials' perceptions

Recently, local municipalities have started to be targeted as potential leaders of this ongoing trend to use diaspora and migrants in the development of origin countries. This is principally due to gaps in linking international and national initiatives with the situation on the ground; therefore supporting local municipalities as new stakeholders to achieve more promising results (JMDI, 2013). The following are often presented as important arguments to justify migration and development initiatives at the local level.

*The first* refers to identifying the migration and development potential in the local context - peoples' needs as well as daily lives and practices are the most noticeable at the local level. *The second* refers to decentralization - ability of local municipality to identify and manage needs of the local labour market and public services, the size and demographic of the local population. *The third* refers to local governance – the credibility of local municipalities in establishing partnership arrangements with a high number of potential stakeholders including: institutions at all levels, international organizations and institutions, domestic civil society organizations, migrants associations, social partners and the private sector; which also includes the building of local public institutions, services, civil society participations, and so on. As a result, the processes of democratization and social and economic development is likely to be more successful within a decentralized mechanism, built upon closer cooperation between the public administration and their citizens (JMDI, 2013).

In accordance with the arguments presented above, a number of countries have started to implement strategies to increase local-municipality engagement in migrant-based development. These include: harnessing remittances for local development; supporting migrant transfer-of-skills and entrepreneurship; fostering links between migration and decentralized cooperation; and promoting migrants' socio-economic integration for development. However, it is important to keep in mind that geographic differences and development disparities between municipalities might affect development potential between municipalities, as well as capacities to accommodate the relationship between diaspora and development. This also includes the potential for diaspora participation in development strategies and other activities.

In *the broader context*, it is important to investigate whether local authorities (municipalities) are aware of a territorial approach to diaspora and development at the local level (i.e. it is awareness of importance of diaspora presence at the local level). In other words; are municipalities independent in establishing a potential relationship with their diaspora as well as if they can carry out the development plans, the distribution of natural resources, financial resources, the investment and supply of public facilities and various rights provided to diaspora. All of this further influences the development of the municipality through transfer of diaspora skills, remittances, investment, return and transnational entrepreneurship.

In *the narrower context*, it is important to assess whether and how local authorities (municipalities) put into practice diaspora potential for development. This includes the participation of diaspora members in decision-making; supporting migrants to transfer business management skills, training, and knowledge; the development of investment from abroad, such as trade, remittances, savings, business investments purchase of real estate; as well as the establishment of networks, communication, philanthropy and cultural collaboration.

Taking these elements, our analysis will assess the current state of strategies/policies for diaspora engagement at municipal level, in particular its potential for: building partnerships; increase vertical domestic interaction; attracting and channelling financial and human resources for capital; and capacity building (JMDI, 2013).

### 3.2.1. Introduction

In order to further examine the BiH institutional environment for diaspora engagement in development - including best practices on the ground - our research extends beyond institutional analysis at the municipal level.

*First*, according to the interviewed state officials, an important finding is that the diaspora relationship with BiH is evident at the local level. In addition, a number of state officials highlighted the local municipalities as a potential leader in further engagement with the diaspora for development of BiH. *Second*, the lack of a comprehensive database about the BiH diaspora often encourages communication and networking with diaspora at the local level, which might influence the establishment of a relationship with BiH diaspora at all other institutional levels. *Third*, a number of state officials stated that more knowledge and stronger networking with the BiH diaspora was achieved through local level development projects. These projects range from investment into local infrastructure, the business sector and tourism, to potential transfer of knowledge for capacity building. According to the majority of state officials, the presence of a diaspora in the development of local municipalities is likely to encourage a bottom-up approach towards creating stronger institutional awareness for diaspora engagement policies and practices in BiH overall. *Finally*, through the previous interviewing we identified heterogeneities related to the local level diaspora engagement in development. While some municipalities are quite successful in developing a relationship with their diaspora, others still face a lot of difficulties.

In order to improve our understanding of the current state of engaging the diaspora in BiH development at the local level, our analysis examines the following elements at the municipal level (introduced in Section 2.5). First, it identifies goals and capacities towards diaspora engagement strategies. Second, it maps diaspora through an existing database, which also captures how state institutions gather information about diaspora and communicate with it. Third, it examines the relationship between trust and mobilization of the diaspora by focusing on the current institutionalization of the relationship with diaspora.

### 3.2.2. Sample characteristics

In order to gain a greater institutional perspective of the engagement of the BiH diaspora in development, we extended our sample to an additional twenty municipalities in BiH as follows: ten local municipalities from both entities where the SDC-UNDP project implements migration and development policies (henceforth, "SDC-UNDP municipalities" – for more information about the project and sample, please, see the next box) and ten local municipalities from both entities with registered diaspora and development activities as well as those without (these 10 municipalities are: Lopare, Prnjavor, Konjic, Banja Luka, Tešanj, Zvornik, Šamac, Novi Grad, Vogošća, and Srebrenica).

The project "Mainstreaming the Concept on Migration and Development Into Relevant Policies, Plans and Actions in BiH" aims to directly include the concept of migration and development into strategic documents of the local municipalities in BiH. The project involves ten partner municipalities of SDC-UNDP Integrated Local Development Project – including namely: ajce, Klju , Laktaši, Ljubuški, Maglaj, Nevesinje, Posušje, Prijedor, Sanski Most and Velika Kladuša. The project duration is June 2013 – July 2015 (24 months) while the available budget for implementation is 975,568\$. The project is funded by the Swiss Agency for Development and Cooperation (SDC). The principal partner of the project is MHRRBiH, while the implementation of the first phase has been assigned to UNDP, this is in order to secure an efficient cooperation with the ongoing Swiss supported Integral Local Development Project. The local strategic frameworks are going to be complemented with priorities related to migrations and development. The project will come up with pilot actions for a process oriented integration of migration and development measures into local development planning in 10 selected municipalities, including the following steps: i) socio-economic situation analysis; ii) design of needs based sector plans which are integrated into the general municipal planning scheme; iii) analysis of potential contributions from migrants or their groups; iv) planning of realistic communal projects with a partial support by migrants and co-financed by the local government. Capacities for an efficient and systematic migration and development concept promotion will be fostered among all key stakeholders of the project; this need has been clearly confirmed during the identification phase. At an initial stage, awareness raising activities about migrants' potential and roles in the local development context will be targeted to decision makers and managers of relevant policies and action plans.

The methodology is based on in-depth interviews with municipal officials. Overall, interviews were conducted with 25 officials representing these 20 municipalities. The codes of these officials, as well as their positions, are attached in Appendix B. The interviews were conducted between January and February 2014. The majority of interviews were conducted in departments responsible for development and the economy, including interviews with mayors and their advisors. All interviews were conducted in municipal offices.

Two problems for conducting the fieldwork were identified: the time taken to organize interviews, and the difficulty of organizing interviews in several municipalities. First, the arrangements of interviews with municipal officials usually took two-three weeks and included extensive phone/email correspondence. Second, several municipalities have been intensively contacted for interviews which at the end were not conducted. This includes ten municipalities coming from both entities, FBiH and RS. These municipalities refused to participate in the research due to three reasons: the public protests taking place in some of FBiH municipalities throughout February 2014; a lack of time to participate in a meeting; and a lack of interest on the issue by some municipalities.

The duration of interviews was about one hour. The time assigned for interview was one hour, although we have variations between different municipalities in this respect. Interviews were organized around three main questions: diaspora development potential; the capacity and drive of institutions to engage diaspora in development; and the main advantages and obstacles for diaspora engagement in development; including the best practices for each segment of analysis. In accordance with the answers and set up methodology, the analysis integrates all interviews and presents the perceptions of municipal officials towards diaspora engagement in development at the municipal level. In particular, it emphasises the position of the ten SDC-UNDP municipalities.



### 3.2.1. Identifying goals and capacities

#### *Goals*

Municipal officials tend to agree on the potential of the BiH diaspora to support municipal development, and the development of BiH overall. In their opinion, the majority of BiH migrants who left the country over recent decades present an important financial, human, and social resource for the development of their municipalities. In addition to these statements, municipal officials listed different examples of successful outcomes from diaspora engagement in the municipality; such as investment, transfer of knowledge, technology, financial support, economic lobbying, philanthropy (some of which will be presented below).

In terms of diaspora investment activities, municipal officials have mentioned some good examples and practices. According to these municipal officials, the majority of diaspora investments at the local level are directed towards their own housing, either as (re)building, reparation or purchase of new apartments. There are also several examples of the diaspora participating in smaller municipal infrastructure projects such as public roads or street lights. Furthermore, there are examples of investment both through returnees' networks, transnational entrepreneurs, or production for diaspora needs, which have not been equally distributed among municipalities. According to municipal officials, for those municipalities where these kinds of investment activities are identified, diaspora business activities present an important asset for the local economy. The following quotes of *the municipal officials* emphasise that:

We have two companies here established with the capital of diaspora returnees. It is mainly the case of family business; they brought their money and knowledge to set up their businesses. Other examples are those who still live abroad and run businesses here, like a man who still lives in Sweden and has a company producing furniture here.

We have one returnee from Switzerland who works in the textile industry, and he aims to enlarge his business by activating new capacities this spring. In addition to the current 100 employees, a further 200 jobs are expected to be open, whilst the whole production will be exported to Switzerland for the next 5 years.

We have an interesting example of cooperation with our diaspora. There is a company which produces coffee, biscuits, etc. and its focus is on our diaspora in USA. For example, their export of 495 tons of coffee on the market targets our diaspora there. At the same time, investments from diaspora here frequently come from second-generation emigrants, who tried to implement some business ideas or open a branch office. Most of these activities are still rather small.

In addition, these investments are frequently accompanied by a transfer of knowledge and technology. In the opinion of municipal officials, each investment is supported by new knowledge and technology, which the diaspora obtains in their country of residency. For many municipal officials, this seems to be just as important as the transfer of financial capital.

Furthermore, municipal officials cite the diaspora's financial contribution through remittances, diaspora spending during holiday visits, and above all, diaspora pensions. Moreover, in several municipalities municipal officials currently see pensions as the most important financial impact of the diaspora on the local economy. This was registered mostly in small municipalities and nicely presented by *a state official from SDC-UNDP municipality* as follows:

The main positive effect of the diaspora here is actually the previous diaspora, dating from the 1960s. That generation is now retired and their pensions are quite high for our standard of living. It is estimated that we have about 1,000 retired people abroad, and it means that around 1 million BAM (around 500,000 Euro) every month is coming here on that basis. They spend all that money here, paying utilities, buying goods, and others, and that money circulates.

Cases of economic lobbying have been registered in the majority of interviews. State officials have mentioned various examples of diaspora individuals who provided contacts with their employers or institutions in the country of their residence. However, many of the initiatives based on investments have not been implemented. According to municipal officials, investment activities and business sector involvement were mainly replaced by different donations of foreign associations and individuals. Still, these donations have an important effect on the municipalities because of their socio-economic outcomes. Here are two examples from different *SDC-UNDP and other municipalities* respectively:

One of our citizens brought a Norwegian here who donated 40,000 BAM (20,000 Euro) to the centre for mental health, which helped us to renovate the centre and integrate disabled persons better into society. They now have a space where they produce various handicrafts and really feel like they are a part of their society again.

After two years of sending money and clothes to the poorest families here, our diaspora organizations decided to find a better solution for supporting these families. Our local women associations in Switzerland supported financially by a Switzerland Women Association donated domestic animals and seeds to rural areas, including some other materials for the improvement of rural production.

42

Furthermore, all municipal officials agree that humanitarian work conducted by the diaspora is still the most dominant form of diaspora engagement in development, and it functions the best. It includes various humanitarian events organized by both BiH and the destination country. In most cases humanitarian assistance addresses individuals, schools, hospitals, public services as well as sport and cultural clubs and events. Here are two examples from *SDC-UNDP and other municipalities* respectively:

These days we are expecting hospital equipment donated by our diaspora. In general, the diaspora has been supporting sport clubs, cultural associations, and many other social activities in our municipality.

Our local diaspora in Austria traditionally organizes humanitarian concerts. The collected money is then donated here. For example, one year the money was used to purchase an ambulance car. Another year, the donation was used for to reconstruct the space for children with special needs; this donation was about 30,000 BAM (15,000 Euro).

In addition to humanitarian work, the majority of municipal officials mentioned the cultural exchange with their diaspora as the most dominant relationship. However, the majority of officials agree that neither of these two activities should be the primary focus of cooperation with the diaspora. They rather agree that the potential for diaspora engagement in development is through investment, financial support, transfer of knowledge and skills, and economic lobbying, and all of these practices should be further explored. The main reason for targeting the diaspora potential is the existence of high unemployment, which in the majority of municipalities reaches more than 40 per cent; lack of investment, new knowledge and new technologies. Furthermore, all municipal officials agree that apart from job creation, other aspects of economic and social life will be indirectly improved as well. At the same time, it would also help diaspora members - in particular second and third generations - to maintain better links and identification with their country of origin.

Therefore, although municipal officials are aware of the financial, human and cultural capital of diaspora, the identified goals, possibilities and good practices in the majority of municipalities still tend to present examples rather than real-life practices. Reasons for this situation are further elaborated below.

## Capacities

The gap between identified goals and the unused potential of diaspora has been attributed to municipal capacity and their ability to utilise the financial and human potential of diaspora as well as their independence in decision-making.

According to the majority of interviews, the current capacities of municipalities towards diaspora engagement in development are first and foremost influenced by the existing complex institutional environment, as well as the unfavourable economic and political situation in the country. The opinion of all interviewed *municipal officials in SDC-UNDP and other municipalities* might be summarized in the following quote of a *state official*:

The biggest obstacle for engaging the diaspora in the development of BiH is the complex administrative apparatus of the state, and the even more complex political and economic situation. Within these circumstances it is very difficult to create an appropriate environment for diaspora engagement in economic development.

Other factors which influence the engagement of diaspora in municipal development were explained in more detail by some municipal officials. For all municipalities their limited institutional independence followed by an inadequate distribution of resources, as well as investment in and supply of public facilities, have a strong impact on the level to which the diaspora contributes towards municipal development. As has been explained by *municipal officials in both SDC-UNDP and other municipalities*, the limited independence of the municipality in respect to the cantonal, entity and state level prevents them from offering anything more to their diaspora than they do to other domestic and/or foreign investors at the local level:

Within the cantonal institutional level, our independence is very limited. The upper institutional level created some legal instruments which mean that all profits made at the local level go to the higher level. It was the same case with the former privatization process. Privatization of big companies in our municipality was done under entity and cantonal directives. They took all ex-companies under their property, and therefore our capacities in that respect today are very limited. All that we can offer to diaspora now is probably just our land.

We can offer the diaspora all stimulation investment funds that we have at our disposal. But that is very limited, since we have very small budgets for such kind of support. This situation has been affected by factors which limit our capacities for investors, including the diaspora. The redistribution of taxes collected at the local level and various forms of permissions for public facilities are still under entity responsibility. So, even when we have some investments in our municipality the profit doesn't remain here, we don't get money back from taxes and we can't influence the issuance of various permissions.

In several municipalities the municipal officials underlined their unequal opportunity to participate in the various grants and stimulations offered at entity level. They further explain that although the municipalities are directly linked to the entity level, such as the case in the RS entity, there are still lot of difficulties in vertical collaboration, including the entity and the state level as well. *The municipal officials from SDC-UNDP and other municipalities* respectively emphasize:

Our capacities for investment are rather limited. But everything we have is to serve investors, including the diaspora. There is also a problem related to property-legal issue, which is also under the responsibility of the entity, including changeable fiscal policy, work habits, etc.

Here we have much easier access to information and we can apply to open calls made by ministries at the entity level. But, the problem is that everything finishes up in the hands of the several big municipalities. I am afraid that the same might happen with the programmes addressing diaspora.

At the same time, the majority of municipal officials at the municipal level agree that the lack of institutional cooperation and their limited independency in different areas should not prevent them from further collaborating with their diaspora. What is more important to recognize is that the municipal officials rely rather on their own capacities to achieve that. As it has been explained by *the municipal officials from SDC-UNDP and other municipalities* respectively:

I think we can do a lot as a municipality. For example, one returnee from Switzerland obtained grants from the Swiss government which he invested in the textile industry here. From our side, we connected him with the cantonal, federal, and state ministries where he was able to obtain grants and support as well. We are willing to do that for all our diaspora.

I think that the EU and the world understand that it is hard to make anything here at the state level, so they are trying to take another direction. So, if collaboration is hard to make at the state level, then we should be fully focused at the local. Although the BiH diaspora likes the country, I am sure they are more tied to their local municipalities.

Therefore, the interviews indicate that the diaspora and development relationship at the local level is twofold. First, we recognize that the municipalities are often targeting diaspora to activate their potential engagement in local development. Second, we recognize difficulties and a lack of municipal capacity to activate the diaspora's potential in development. In order to further explore a potential link between the two we shall continue to investigate the current state of informational resources (i.e. databases) and communication, as well as diaspora trust and mobilization at the municipal level.

### 3.2.2. Mapping BiH diaspora

#### *Database*

According to the municipal officials, a database that provides information on numbers, education, gender, skills, ethnicity, status in host country, and other relevant information, is crucial for establishing a strong relationship with the diaspora. Although the majority of municipal officials are unofficially informed about the countries where most of their local population are settled, the relevant databases do not exist in any of the examined municipalities. Consequently, several municipal officials gave approximate numbers for their diaspora, estimated on the basis of different indirect parameters. For example, they rely on indicators such as: preliminary results from the census of 2013, registered private property, summer visits, and those temporarily absent from the local municipality. In some other cases, municipal officials demonstrated attempts to create their own database. However, we have not identified a fully successful municipality in this respect. We quote here *the municipal officials from SDC-UNDP and other municipalities* respectively:

In our strategy for 2006, we planned a project aiming to establish a database on the economic aspects of our diaspora (all citizens from our local municipality who run successful businesses outside BiH). We didn't have the capacity to do that, and we didn't have any support from outside. So, it has never been implemented.

We opened a call for the diaspora to register on our own webpage. But, the results were very disappointing and I am afraid to say that the diaspora is very careful in providing relevant information. There is a clear lack of trust, as the diaspora thinks that we just want to take their money.

According to municipal officials, these problems are accompanied by a lack of information at the other levels. As has been directly stated by *a municipal official*:

I was in Washington in the BiH Embassy several months ago. When I asked how many people from BiH live there and where I can find products from BiH, they simply didn't have an answer. I am also sure that the Ministry of Civil Affairs of BiH should have information about the BiH diaspora, or some other institutions at state level. They should help us to identify our diaspora.

To a degree, municipal officials agree that having an official and comprehensive database on the BiH diaspora could be advantageous for establishing initial contacts with the BiH diaspora. In their words, communication with the diaspora would be easier if it were backed by official statistics.

The majority of municipal officials do not define the diaspora in the context of the state. For the majority of them the diaspora is understood and defined in the context of locality, ethnicity, time and geography. Furthermore, in most of our interviews these four concepts interrelate in defining the diaspora. In the context of the locality, municipality officials see diaspora as the local population settled around the world over different periods of time and for different reasons. It is frequently mentioned that diaspora is divided to the different emigration flows: emigrants of the 1960s (economic), 1990s (war and family reunification) and today (economic, marriages, education, seasonal). Furthermore, the diaspora is usually considered as first, second and third generation. In several cases, the diaspora is understood equally in the context of ethnicity and locality. For example, this is almost always the case in situations where the majority of the population in the local municipality belongs to the same ethnic group, and where there was no internal movement of population during the war and afterwards. In all these cases, the municipality officials are aware of the geographic context of diaspora; the countries where the majority of diaspora currently live. There are also examples where the diaspora are understood in terms of economic and non-economic diaspora; those with registered businesses abroad and others. Yet, in all cases municipal officials link the absence of a database to difficulties in establishing communication with the diaspora, which is explained below.

## Communication

In addition to the absence of a relevant database, the majority of interviewed municipal officials agreed that the communication presents the biggest challenge for them. On the one hand, the current communication with diaspora proceeds with a lot of difficulties. On the other hand, the improvement of communication is crucial for any of the further planned activities with the diaspora. This particularly targets the second and third generation expatriates who have slightly lost their connection with BiH. The majority of opinions coming from both the SDC-UNDP and other municipalities could be summarized through the quote of *a municipality official*:

We have to establish a good communication with our diaspora, in particular with the second and third generation – they are our hope but they are losing connections with us. We have let them know that they should not be afraid of giving information to us and of our attempts to be in contact with them. We should keep sending them the message that they are part of this municipality and each segment of the society should be devoted to that goal!

According to the words of municipal officials in *the SDC-UNDP and other municipalities*, the current communication is not sufficient and in the majority of cases it proceeds with a lot of difficulties. Currently, communication with the diaspora is organized around three levels: individual contacts, collective meetings with the diaspora during holiday times, and through communication with hometown associations (if they exist). At the individual level, contact with the diaspora usually refers to individual requests for need-fulfilment or to express interest in investment, a better business environment, wider possibilities for cooperation, and so on. These contacts are organized via e-mail or direct contacts, as well as visits by diaspora members to their municipalities. *As a municipality official* has explained:

We have been contacted by our diaspora mostly through individual initiatives. They send requests about some personal issues, or ask for some documents like development plans, investment environment, etc. In some cases they prefer to be in contact with the mayor.

However, contact with the diaspora has been identified in several SDC-UNDP and other municipalities. They have been organizing summer meetings with their diaspora during their holidays. The meetings are known as “Days of diaspora” (Dani Dijaspore), and their main goal is to gather together the local population and diaspora through sport, cultural and economic activities. However, the outcomes of these meetings have varied. In only two cases of these municipalities have the results been quite encouraging. This has been explained by *the municipal officials*:

We organized the first diaspora business forum which gathered about 300 representatives of the diaspora and local entrepreneurs, municipal officials, governmental and nongovernmental organizations and others. Within two days of intensive presentations and round-tables on various issues, I think we achieved great results, and opened a door for further collaboration in this field.

We have been organizing days of diaspora for years. Just in 2012 the municipality council decided to organize “Days of diaspora”, with the intention of institutionalising it as a traditional event. Up to now, summer meetings with the diaspora are used to socialize the local population with its diaspora – through music, meals, dance, etc. No concrete activities relevant for development were implemented.

Finally, there are several examples of communication with the diaspora through different hometown associations. According to *municipal officials from non SDC-UNDP municipalities*, the communication organized with representatives of hometown associations is quite satisfying:

We have several hometown associations in Switzerland such as local and women associations. The majority of their activities, including the “Days of diaspora” are organized in cooperation between us. The representatives of our municipality participate in all activities organized in Switzerland, and *vice versa*. We also arrange many activities through our common agreement.

We have the best communication with two hometown associations; one from Austria, and the other from Germany. Both are of a humanitarian nature and all communication and cooperation with them has been very good!

However, apart from these examples, other municipalities face difficulties in communicating with their diaspora. In several examples attempts to initiate communication with their diaspora have actually failed. Some of the interviewed municipal officials mentioned open calls to diaspora through their web page, organized meetings with entrepreneurs from the diaspora, invitations to co-opt the diaspora into the development of the municipality, and similar programmes. In all these cases, positive results have hardly been achieved.

Considering the current stage of communication, all municipal officials indicate an insufficient communication with the BiH diaspora. These officials recognize a clear gap in communication with the diaspora, mainly due to the following reasons: the absence of a database, the lack of state initiatives to engage the diaspora, the general lack of state responsibility towards the BiH diaspora, but also, the lack of diaspora trust in BiH institutions. The following quotes of *municipal officials* support these statements:

The diaspora care for their local municipalities but they are very much disappointed with their treatment by the state.

I think that the diaspora wait for municipalities to make the first steps towards their engagement in municipal development. I think the establishment of a special committee that could work with the diaspora, maintain a database, etc., would be the best solution. We actually need to change the local community's perception about its diaspora and let the diaspora know that we care for them and that they have their own place here. Note, we are now talking about new generations who do not even know the local language.

We have to work on our database and contacts with the diaspora. We should not scare them with that database but rather introduce them to our activities and possibilities here firstly. We have to convince them that there are lot of possibilities here. For example, in comparison to the countries of their residency, our diaspora is full of prejudices that our banks are not good, our administration is bad, etc. We have to change their prejudices.

All the emotional capital of our diaspora has gone. They don't trust in our institutions anymore. They always see us as somebody asking something from them. If we want to keep them, we must approach them as our partners; not as our donors.

In addition, some municipal officials see a lack of hometown associations and lack of information and knowledge about the diaspora and development policies as important obstacles.

Finally, in all examples, municipal officials regard the deepening of relationships with the diaspora as requiring them to build a relationship of trust between the diaspora and local municipalities, and to mobilize the diaspora in sustainable development through a partnership relationship. This particularly refers to various kinds of business forums (cooperation), as a starting point, which should have its impact on all other aspects of lives.

### 3.2.3. Trust and mobilization of diaspora

In light of the aforementioned, municipal officials have similar ideas about creating a relationship of trust and mobilization with diaspora. The aim of all municipalities to utilize diaspora potential for development is seen through attempts to institutionalise their relationship with the diaspora. Different experiences among different municipalities have been registered. There are two municipalities who have institutionalized their relationship with the diaspora; ten SDC-UNDP municipalities who are in the process of institutionalising their relationship; and eight municipalities who have listed the institutionalization diaspora relations as one of their development goals.

In the two examples mentioned, institutionalized relationships with the diaspora happened recently, over the last two years. In the both municipalities, the initiatives came from municipalities, which recognized the potential of diaspora through the high number of their citizens living abroad and their close links to the local society. As the first step, municipalities supported the establishment of hometown associations in the country of diaspora residency, which further created a base for other kinds of cooperation in different aspects of economic, social and cultural life. As a step forward, they also established a “Diaspora department” with one or two employees. The main aim of these departments is to provide diaspora with all required support in terms of administration, information, and other areas of interest. This is nicely explained by *a municipal official from a non SDC-UNDP municipality*:

We first contacted our people in three countries, where they are settled. Only in one did we manage to establish a hometown association. After that, we have continued to collaborate with them in all fields. If, for example, they are organizing an event of a humanitarian character, we usually give advice on the project that it might be best to focus on – in terms of financing here in our municipality. It is always hard to be trusted by people there, so we also provide a person in our municipality to work just with them. Now, they have a person here who works just for them.

48

In other municipalities, institutionalization has been supported by the implementation of new migration policies supported by SDC-UNDP. In accordance with this project, the ten municipalities embedded their diaspora as a partner in development strategies, and included them in several development programs.

For the majority of interviewed municipal officials in the SDC-UNDP municipalities, the initial goal is to improve the communication with their diaspora through the establishment of a database and an organized economic forum targeting their diaspora. Afterwards, these activities should lead to the implementation of various common projects from different developmental fields such as investment, tourism, agriculture etc. Several examples have been mentioned by *the municipal officials from SDC-UNDP municipalities*:

We have participated in the SDC-UNDP migration and development project, and this is our first initiative related to diaspora and development issues. We are planning to create a database of our diaspora, and to organize an economic forum. We also have some other small projects with our diaspora, but our main hope is to work on common investment projects that include the diaspora.

We expect a lot from the SDC-UNDP project. We have already failed in our attempts to mobilize diaspora; but I think by supporting this program, and taking a more organized approach towards diaspora, we can regain the trust of our diaspora. We have plans to include the diaspora in our development projects in tourism and agriculture.

I expect that through the SDC-UNDP project we will finally get knowledge and all other forms of support to mobilize our diaspora and make them our partners in the development of our municipality.



Furthermore, of the ten SDC-UNDP municipalities, three already have an active diaspora engagement in development plans and strategies. As the municipal officials explain, the diaspora has been invited to give their opinions on creating plans and strategies for development through the participation of their representatives. In addition, it has been organized via an open call on their municipality webpage, where the diaspora could present their opinions and suggestions for these plans and strategies. Some examples are given by *the municipal officials* below:

We had an open call on our webpage for our diaspora asking them to give suggestions and ideas about our development strategy. We are quite satisfied with their responses.

Whilst we drafted the development strategy, we included a representative from our diaspora. He attended several meetings, where he presented his opinions and ideas about diaspora engagement in activities for municipal development. Later, it was hard for him to come to all our meetings. He also mentioned problems faced whilst trying to contact our diaspora abroad. They were all sceptical about his attempt – since they used to just being asked to donate! We are now aware of what we should work more on – improving the trust of diaspora towards our municipality!

A similar lack of diaspora trust towards BiH institutions has been shared amongst other municipalities who attempted to institutionalize the relationship with their diaspora. According to some municipal officials, a lack of trust and lack of capacity will not be easy to offset now:

In 2006, through our development strategy, we decided to establish cooperation with successful diaspora in Croatia, Austria and other EU countries. Unfortunately, we did not have the capacity to do that, and I am afraid that it now might be too late to do anything; we lost an opportunity to mobilize our diaspora after the war, and to use their willingness to do something for their country. We really need to work hard to change their perceptions.

Via our web page, we have encouraged our diaspora to share their opinions, to send us their requests, to criticize our work, and many other things, as well as to agree to meet us. I have to say that I am very disappointed with the response. We received only several responses. And I don't see any changes to that trend. But we will keep working on that for sure. Our diaspora is our best potential.

In other cases, municipal officials acknowledge that there are no institutional initiatives towards diaspora engagement in development at the moment. According to their words, the municipality recognises the potential of diaspora, but a lack of knowledge about linking diaspora to development, as well as collaboration with other institutions in BiH, influences further engagement in this field. According to the words of *a municipal official*:

We are aware of the potential of our diaspora. I think it is really good idea to work on the relationship between diaspora and development. Just, honestly, we still don't know how to do that.

Finally, all municipalities expressed a strong willingness to adjust their programs and strategies to improve collaboration with the diaspora, which is a promising sign.

### 3.2.6. Conclusion

In this analysis we investigate perceptions of municipality officials towards diaspora engagement in BiH development. We interviewed 25 municipal officials in twenty municipalities defined as two groups: ten where SDC-UNDP support migration and development policies – “SDC-UNDP municipalities” and other from both entities.

We identify a consistent opinion about importance of diaspora potential in supporting BiH development. All municipal officials recognize the potential of diaspora engagement in development of their municipalities – investments, transfer of knowledge, technology, financial support, economic lobbying, and philanthropy. Majority of the municipal officials presented different positive examples from the ground to confirm their statements. However, due to the high unemployment, lack of investments, knowledge and technologies, the municipal officials in these municipalities still give priority to financial assistance of diaspora, and slightly less to the human or social capital. Furthermore, their goals and existing practices in their municipalities are influenced by lack of municipal capacities for relevant institutionalization of the relationship between the diaspora and development. In addition, they are further challenged with a lack of comprehensive databases, communication, trust and mobilization of diaspora.

First, the municipal officials indicate that capacities and abilities of the municipalities to utilise diaspora potential for development are affected by existing complex institutional environment and non-desirable economic and political situation in the country. The limited institutional independence in respect to cantonal, entity and state level is followed by a lack of adequate distribution of resources, public investments and supply of public facilities. Furthermore, the examined municipalities have huge disparities in the achieved development. Therefore, within this institutional environment and uneven development, the current state of a link between diaspora and development, majority of the municipalities rely on their own available capacities. What they often do is relying on existing capacities offered to domestic and/or foreign investors at their local level. At the same time, all municipalities stated that their limited independency should not prevent their further collaboration with their diaspora.

Second, majority municipal officials argue that a lack of comprehensive diaspora database presents an important obstacle which needs to be overcome in order to improve communication and collaboration with the diaspora. At the moment, there is no official database about diaspora in any of the municipalities in both groups. However, sometimes we get impression that the lack of database is used as a nice excuse for not doing more, especially at the municipal level where it is much easier to identify its diaspora and establish communication with it. In addition, the municipal officials in all municipalities often refer to the definition of diaspora in terms of locality, ethnicity, time and geography, rather than in the broader context– BiH diaspora.

Third, majority interviewed municipal officials recognize difficulties in communication with its diaspora and a need for improvement. They believe that this particularly targets the second and third generations of emigrants who have been losing their contacts and connections with BiH. At the moment, the communication between municipalities and diaspora is organized around three levels: mostly through individual contacts/requests, and less through collective meetings with diaspora during holidays, including “Days of diaspora”, and organized collaboration with diaspora associations, in the case that they exist. This includes both groups of municipalities.

Forth, majority municipal officials see further potential of diaspora engagement in development through creating a relationship of trust between the diaspora and local municipalities. In other words, the officials recognize institutionalization of the relationship with diaspora as a step forward. To that end, different experiences are noticed on the ground. There are two non SDC-UNDP municipalities which have institutionalized their relationship with diaspora; ten SDC-UNDP municipalities who are in a stage of institutionalization of their relationship with diaspora; and eight non SDC-UNDP municipalities who attempt to institutionalise their relations with diaspora in their development goals. In several cases, diaspora has also been participating in establishment of municipality development strategies.

To conclude, the diaspora potential for supporting development of the municipalities has been recognized by all municipal officials. As it is obtained through this analysis, some municipalities have a rather developed relationship with their diaspora established through a good and frequent communication, various economic and cultural activities, and hometown associations. However, the complex political and economic environment followed by a lack of municipal own capacities, including a lack database, difficulties in communication, and unsatisfied current state of the trust and mobilization, are identified as the main challenges towards a greater diaspora engagement in the development.

The current initiatives of institutionalization of the relationships between migration and development in the context of the SDC-UNDP municipalities should improve the diaspora engagement in development at the local level. Although our initial intention was to give more comparison between the SDC-UNDP *versus* "other" municipalities, the obtained results suggest that we cannot say much at this stage. The main reason is that it is still early to assess the results of SDC-UNDP-MHRRBiH pilot project and whether the actions in the pilot lead to some structural improvements. Currently, we can see very few differences between the two types of municipalities. However, there is a tendency to formalize/institutionalize diaspora relations in SDC-UNDP municipalities, but it is not clear whether this has actually had a significant impact on the current diaspora involvement as well. Apparently, this will need to be assessed with a certain time lag, including the analysis of the diaspora side as the response on this initiative.



Jusuf Arifagi ?

## 3.3. Analysis of ex-diaspora entrepreneurs' perceptions

### 3.3.1. Introduction

The latest *Doing Business* report has ranked BiH as 132<sup>nd</sup> out of 189 countries for ease of doing a business (IBRD/WB, 2013). While such a position is problematic, a more worrying signal is the fact that little has improved over the last few years. BiH currently holds the lowest position in the South East European region. Apparently, running a business is characterized by a number of challenges and obstacles. The *Business Environment and Enterprise Performance Survey* (2008) based on firm-level survey data identifies the following business obstacles as the greatest: tax rate, political instability, corruption, tax administration and access to finance. Similarly, UNODC (2013) report identifies the following obstacles to doing business in BiH: high taxes, complicated laws, political instability, labour regulation, limited access to finance and corruption. Both reports rank mainly institutional causes/failures (e.g. taxes, laws, regulation and corruption) to be the most problematic, including political instability.

In order to get more insights into starting and running a business in BiH, we examine entrepreneurs who are ex-diaspora. Accordingly, this analysis deals with entrepreneurs who have been abroad, who have probably had some experience in doing businesses outside BiH, and today, from a distance, can judge the business environment and their personal successes, advantages, disadvantages, and business obstacles they face.

The main purpose of this chapter is to investigate successful and to some extent unsuccessful ex-diaspora entrepreneurs in doing their businesses with the main focus on determinants of their success/failure. The analysis is based on semi-structured interviews. The chapter is organized as follows. After introductory section we present qualitative analysis starting with sample characteristics, personal information of interviewed entrepreneurs, their migration experience and business performance of their companies. The penultimate section is focused on business obstacles; the last section concludes the chapter.

### 3.3.2. Sample characteristics

The planned sample for this analysis was 20 businessmen; we effectively deal with 23 entrepreneurs who satisfied the main criteria; all of them are ex-diaspora, they returned to BiH and mainly brought the initial capital for their businesses. Overall, we conducted or tried to get in touch with some 30 entrepreneurs; hence, the response rate was quite high. We relied on snow-ball method in searching for these entrepreneurs since there is no any official data about these kinds of businesses. Initially, we started snow-balling in four cities where the team members identified ex-diaspora entrepreneurs<sup>24</sup>. It was challenging to identify them, not least because there are a relatively small number of ex-diaspora entrepreneurs on the ground, to our knowledge.

The final sample covers quite proportionally two entities in BiH (FBiH 10 and RS 13), all ethnicities (Bosniacs, Croats, Serbs, and Others), different sectors of the economy, companies of different size (the codes of interviewed entrepreneurs with basic information is available in Appendix C). In the end, the interviews were conducted in 13 different cities throughout BiH (namely, Sarajevo, Srebrenica, Gorazde, Jajce, Zavidovici, Tesanj, Teslic, Banja Luka, Gradiska, Kotor Varos, Ilidza, and Celinac) and the period of interviewing was from mid-August to the beginning of October 2013.

The duration of these interviews was between 45 minutes and one hour<sup>25</sup>. The questionnaire had some 23 basic questions (often, the interview led to some additional questions) and four main sections, including personal information, migration experience, business performance of their companies and obstacles in doing

<sup>24</sup> These cities are: Sarajevo, Banja Luka, Gorazde and Zavidovi i.

<sup>25</sup> This includes introduction of the project, explanation of the purpose, interviewing and related conversation.

their businesses. Not all examined questions were relevant for all entrepreneurs and for some questions they used to provide quite short and quick answers, making interviews in some cases quite short. However, preparation of the interviews (introduction) and later informal chat lasted usually longer. In these off-the-record discussions (which often was more rich and intense), the majority of interviewed individuals discussed the current effects of economic crisis on their businesses; hence, about some short run problems they have. Our questionnaire does not focus on the current global crisis, which was, generally, the main topic of these off-the-record conversations.

The majority of interviewed individuals were willing to talk about their businesses, migration experiences, and future aspirations. Moreover, we felt a sort of satisfaction amongst them that „someone“ identified them as businessmen who returned to BiH, decided to stay, run their own business, and mainly succeeded in their intentions. The majority of them were proud that they are in BiH and doing successfully in their businesses and, on average, we could not identify or feel any sort of desire to emigrate again. We discuss below some of the most interesting findings from these four sections.

### 3.3.3. Personal information

All interviews were conducted with owners of their businesses and in the majority of cases they were also the managers/directors of their companies. There is only one example of a company in which the interviewed entrepreneur has 50% of ownership (all others own 100%). The average age of interviewed individuals is 50 years, the majority of them are married and have families, and the majority of them have not completed a university degree (30% have a university degree). On average, these companies have 11 employees, although the distribution is not normal in the statistical sense. There are only a few companies with over 30 employees and the majority of others have up to 10 employees. Accordingly, in the sample we deal with small and a few medium-sized companies. The total revenue is reported in the range from 4,000 up to 7,000,000 Euro. The majority of companies were established in the beginning of 2000s, and only one before the war (1986). Finally, a dominant sector in which these entrepreneurs run their business is the service sector (around 50%), the remaining businesses are located in sectors such as trade (some 20%); industry (15%); agriculture (10%); and others.

53

### 3.3.4. Migration experience

The migration experience of interviewed individuals is primarily (85% of cases) linked to the war period (1991-1995) and there are only a few cases of before (3 examples) and after the war migration (3 examples). The average time spent abroad in the sample is six years. Half of the interviewed individuals report that the main reason for emigration was the war; the second largest group give the economic situation and search for employment, and the third largest group studying incentives. Interestingly enough, around 80% of individuals were successful in finding employment abroad and only three respondents were unemployed. The main skills gained abroad are very diverse and linked primarily to the type of employment, including experiences such as the following:

I gained my whole skill set abroad. This includes project management, project implementation and product sales.

My experience is working and only working. I was abroad with my whole family and we have always been working together. We had learnt the importance of quality in your work and did not rely on any support.

Discipline, work, different business skills such as business organization, managerial skills, transferring knowledge.

The main skills I gained outside BiH are cooking and catering. I was working with cruise companies and, practically, for five years did not touch the ground. This helped me to learn about all world cuisines.

Language, work and life experience which I would never gain here. Nevertheless, I was in number of places even before migration.

Professional experience, life experience and 100% of my experiences in all aspects of life. Language: I speak English now, I was studying French.

Around 60% of respondents claim that different emotional links and nostalgia are the main reasons for returning to BiH; but this is sometimes combined with some other arguments (e.g. patriotism, economic support to the country). The second reason for returning was those who were pushed to move back by their host countries, and the remaining reasons include arguments such as family, business, assets, and support to economic development. Here are some interesting quotes that explain different reasons for return:

I came back because I could not stay there since I could not get all necessary documentation. If I had got the papers done, I would stay. However, now, I would not leave my country even if I could get the necessary papers to leave.

The main reason for return is nostalgia and desire to support making BiH a "western" economy with a business climate that will simulate the West to come here. I would like to see that we employ workers from Germany. My desire is also to improve the economic environment.

My spouse was taken to the army, my children were alone and I had to come back. But honestly, I was not happy at all in that particular country. Probably if I was in another country it could have been different. The life of people there is miserly to me. And I told to myself, it is better to go to my own country where I have assets, where I have something that is mine, rather than living in some strange houses and sleeping on couches.

It is a desire to bring skills and knowledge that I gained abroad to my own country, to my home city. I wanted to help the development of this country and in addition I was slightly tired of moving from one place to another.

I returned to live and establish my family here, where I am at my own place. I was everywhere on my way back to BiH, but I feel the best at my home.

Around 90% of respondents returned to the municipalities they lived in prior to migration, suggesting strong return links to initial pre-migration localities. Apparently, it is an important indication that ex-diaspora entrepreneurs are more linked and interested to run their businesses in their home municipalities.

### 3.3.5. Business performance

An absolute majority of respondents claim that they have not received any form of financial or non-financial support when they decided to run their own business in BiH. However, in three cases they got financial support for establishing their businesses from entity authorities. One of these companies grew into a medium-sized company (26 employees), which has an important role in the BiH food market and has expanded its business outside BiH as well. In all other cases, the initial capital was mainly brought from abroad, and on average, it was around 70,000 Euro, with substantial variations between different cases. On average, these entrepreneurs who invested more in the initial period are today bigger companies in terms of number of employees as well as reported revenues. Still, there are examples of very little investment in the initial period and large success today (some examples for which we have all necessary data are reported in Table 3.3.1.)

Table 3.3.1. Initial capital, revenue and number of employees

FIRM ID	SECTOR	INITIAL CAPITAL	REVENUE 2012	NO. of EMPLOYEES
1	SERVICE	200,000	200,000	6
2	SERVICE	2,000	300,000	12
4	INDUSTRY	20,000	2,000,000	30
5	TRADE; SERVICE	1,000,000	2,500,000	21
6	AGRICULTURE	2,000	50,000	2
7	TRADE	20,000	350,000	10
10	TRADE	50,000	500,000	2
11	SERVICE	10,000	250,000	7
13	SERVICE	400,000	2,000,000	36
15	TRADE	2,000	13,000,000	16
19	INDUSTRY	380,000	1,300,000	26
20	SERVICE	50,000	8,000	1
21	SERVICE	500,000	42,000	3

Note, initial capital and revenue 2012 are reported in the local currency, *Konvertibilna Marka* (BAM). The current exchange rates are: 1 Euro=1.95 BAM; 1 CHF=1.58 BAM.

In order to investigate the correlation between initial capital, total revenues and the current number of employees, we estimate simple pair wise correlations between these variables (not available for the full sample but for the listed companies). Although the sample is very small, we can still get at least some intuitions from these coefficients. Since we have one quite obvious outlier in the sample (Firm ID 15), we exclude it from calculations.

The correlation coefficient between initial capital and total revenues in 2012 is quite high (0.61), and is statistically significant (p-value is 0.0356). Accordingly, we have some indication that the level of initial capital is correlated with the latter success. Those entrepreneurs who invested more in the initial period are more successful today in terms of the total revenue reported. This is in line with general economic theory and practice. The correlation between the number of employees and initial capital is also positive, being 0.36, but not statistically significant. Finally, the number of employees is highly correlated (coefficient=0.88; p-value=0.0002) with the total revenue reported, and again, in line with our expectations (Table 3.3.2). It would be interesting to run an empirical model with these determinants and to compare these results with non-diaspora entrepreneurs, but we do not have useful data for these purposes.

Table 3.3.2. Pairwise correlation - initial capital, revenue and number of employees

	INITIAL CAPITAL	REVENUE 2012	NO. OF EMPLOYEE
INITIAL CAPITAL	1,000		
REVENUE 2012	0.61 (0.0356)	1,000	
NO. OF EMPLOYEE	0.36 (0.247)	0.88 (0.002)	1,000

Note, p-values are reported in parentheses. Calculated in STATA 12.

One of the questions/suggestions that we wanted to get from ex-diaspora entrepreneurs is their recommendation to potential BiH diaspora investors. Interestingly enough, the responses are very heterogeneous although the general conclusion would be that it is worth investing in BiH but some caution is needed. A lot of them recognize the BiH diaspora as an economic potential that is not properly activated. We summarize here shortly the most interesting responses:

I think there is enough space for everyone; they just need to be determined.

It is worth fighting for BiH, and that fight is not over in the economic context.

It is only important to have a good idea because people in BiH are willing to work.

Honestly, I am disappointed with diaspora. If they think about coming to BiH, they need to think how BiH will survive or quite soon they will not have a place to come to. The diaspora does not have appropriate interest for BiH. Some concrete activities by diaspora should be undertaken, e.g. more investment into agriculture.

There are a lot of projects in BiH which deserve attention, such as agriculture and fruit-growing.

It is logical that the diaspora should invest in BiH. There is a lot of money here (at least in the context of natural resources and potential).

Diaspora should be careful. They should study laws and carefully examine all business aspects before making decisions.

I do not recommend anything before politicians make some joint efforts in this respect.

If some asked me where to invest and make a quick profit, I would invest in tourism and catering. I would recommend investing in BiH.

They should firstly open their eyes, conduct a detail research and examination, and then decide whether to invest.

It worth investing in BiH but this should be done with trusty people... I would recommend the diaspora to invest in BiH and the main reason is to keep our resources from foreigners and from destruction. We have so many rivers; if we only work with rivers... It is sad what we are doing to our forests.



There are some particular examples where it is worth investing. However, one must first think of certainty, and also of profit. No-one will invest here without the possibility of making a profit.

It is the most important that they clued up about the business environment in BiH. And certainly they will need some support, at least for a few years when they decide to start a business here. They should not expect positive results immediately; it takes time like for everything. Probably, joint ventures with domestic partners are the best solution.

A policy to support the engagement of BiH diaspora entrepreneurs should involve the greater involvement of government, particularly in the regulation of administrative and institutional barriers that potential investors currently face. The majority of interviewed entrepreneurs believe that the diaspora policy should be located at the state level, although a good number of them emphasize the importance of the local level too. Overall, the state and municipality institutional levels are identified as the most important for any potential policy that should be activated to promote diaspora involvement in BiH development.

### 3.3.6. Business obstacles

One of the sections in the ex-diaspora entrepreneurs' questionnaire was focused on obstacles they face(d) as citizens as well as business people. The absolute majority of respondents claim that they did not have any sort of specific problems as citizens, returnees, after coming back to BiH. However, as businessmen they quite agree that the main obstacles they faced and face even today are related to administrative and institutional barriers. Among these barriers they also listed some related issues such as corruption, taxes, lack of skilled people in public administration, general business climate, mentality, judiciary, local government, and police. They were quite clear in saying that these barriers were not linked to their status as ex-diaspora entrepreneurs, but as sort of general barriers that everyone was/is facing in this country. At least, this is a clear indication of non-discriminatory (institutional) behaviour towards ex-diaspora entrepreneurs. Still, some 30% of respondents claim that they did not have any particular barriers when they were starting their businesses. Among those who report some obstacles we quote a few interesting cases, including two with the opposite experience (the last two):

A slow administration and a desire to get permissions authorised as slowly as possible, or if possible not at all. There was no protection by institutions.

A state relationship towards business people, corruption, taxes; well, the whole system and the state.

These were primarily problems of an administrative nature. My husband and I – after years spent abroad in different countries – were shocked by how much time it took to register and start our own business. There was a huge problem in finding appropriate employees as well; in this case, foreign language professors with appropriate quality.

There were a lot of barriers, but the first was mentality. The state should acknowledge that these (diaspora entrepreneurs) people are needed here. ... At the local level it is necessary to organize such a system when businessmen come they should have their "own place" to adopt and adjust to the environment. Local communities should have their own centres, sort of mini agencies for investment, which entrepreneurs could use to go through dozens of rules in an easy way; sort of advisory centres.

We did not have any problems; we came with a lot of money, and the gates were open to us everywhere. But, we were nervous because of all the administration, but still, we completed everything in about fifteen days.

Well, there were not any obstacles. People are just talking about it.

Coping with these and other barriers is always challenging and the majority of entrepreneurs report that they relied mainly on the support of family, friends and professional colleagues, but did not really on support from abroad. Informal institutions (reliance on support from family, friends, colleagues and similar) in BiH are an important determinant that is used to support the inefficiency of formal institutions and something which has already been identified in this country (e.g., Efendic et al., 2011), as well as being consistent with our findings. However, it is rather unexpected that external (diaspora) business links seems to be rather weak.

Although businessmen are quite critical about the general business environment, the majority feel that some improvements have been made since they started their businesses, and on average, in the majority of cases this was at the beginning of the 2000s (the simple average is 2002). Entrepreneurs regard the main reason for the success of their businesses as being their personal efforts, commitment, enthusiasm, experience, and only a few emphasize the skills they gained outside of BiH. Interestingly enough, the interviewed entrepreneurs do not identify links or networks with the current BiH diaspora as an important advantage for their businesses, which suggests that ex-diaspora entrepreneurs are more locally and domestically linked with the market and business environment.

In the questionnaire, we examine future business growth aspirations and it is possible to identify a limited optimism in some 40% of cases, whilst in a few cases the entrepreneurs are very pessimistic and expect the closure of their businesses. It is important to stress that the majority of entrepreneurs claim problems they face because of the current economic crisis in BiH and the region (especially in the off-the record conversation), which might affect their concerns related to the growth of their businesses.

58

In the sample we have two entrepreneurs who failed in running their own businesses. In the first case it is example of an international language school established in 1995, while in the second, it was a construction firm established in 2008. Both individuals today are employed; one is a self-employed individual producer. However, it is interesting that in both cases they invested some 20,000 Euros, started their businesses, had some initial success, but after a few years decided to quit. In the context of the foreign language school the main reason for failure identified by the respondent was problems with employees, i.e. insufficient human capital. In the second case, it was also a problem with employees and a lack of experience in the business. None of them cite failure as being due to a problem with financing their business activities, but rather due to problems in organizing the business with their employees.

What is interesting about these two examples is that even though they did not succeed in running their own businesses, they have remained in BiH and both encourage the diaspora to invest in BiH. What they say is:

Diaspora should invest in BiH, at least to try. Although I did not succeed in my business, ... I still think that potential investors should try to invest for some reasons other than purely financial gain, and to try to implement their ideas. But they should be aware how much energy and effort is needed for this activity in BiH.

Diaspora needs to focus more on BiH because of their patriotic, moral and social responsibilities.

### 3.3.7. Conclusion

In this analysis we deal with responses from 23 ex-diaspora entrepreneurs obtained through face-to-face interviews aimed at identifying their migration and business performance.

The migration experience of interviewed individuals is primarily (85% of cases) linked to the war period (1991-1995). The average time spent abroad in the sample is six years. Half of the interviewed individuals report that the main reason for emigration was the war, on the second place it is economic situation and search for employment. Interestingly enough, around 80% of individuals were successful in finding employment abroad and only three respondents were unemployed. Finally, around 60% of respondents claim that different emotional links and nostalgia is the main reason for return to BiH, in the second place are these who are pushed to move back by the host countries, and the remaining reasons include arguments as family, business, support to economic development. Around 90% of respondents returned to the municipalities where they lived before the migration. It is an important indication that ex-diaspora entrepreneurs are more linked and interested to run their businesses in their home municipalities.

Almost all of the ex-diaspora entrepreneurs emphasize BiH diaspora as an economic potential that is not properly activated. The policy that should support engagement of BiH diaspora entrepreneurs see primarily through a greater involvement of government and primarily in the regulation of administrative (institutional) barriers that potential (diaspora) investors currently face. In addition to the main economic barriers, mentality, business climate and lack of entrepreneurial spirit was emphasised as well. Overall, the state and municipality institutional levels are identified as the most relevant for any potential policy that should be activated to promote diaspora involvement in BiH development.

The main reason for the success of their businesses, ex-diaspora entrepreneurs see in their personal efforts, commitments, enthusiasm, experience, and only a few emphasize the skills they gained outside BiH. Interestingly enough, no one of the interviewed entrepreneurs have identified links with the current BiH diaspora as an advantage for their businesses. Overall, this suggests that the ex-diaspora entrepreneurs remain to be more locally and domestically linked with the market and business environment.

59

Jusuf Arifagi ?



## 3.4. Analysis of BiH population's experiences and perceptions

### 3.4.1. Introduction

We conducted a survey to find out more about migration intentions among the BiH population and returnee migrants. Face-to-face computer aided surveys were carried out in July 2013 with 600 adults of which 200 were returnee migrants and 400 non-migrants. A migrant was defined as an individual who had lived for three or more months outside of BiH. Although often migration surveys only categorise individuals who have lived for more than 12 months outside their country of origin as migrants, we did not want to exclude temporary or circular migrants. Three months should be a long enough period to exclude tourists from our sample. 203 returnee migrants were interviewed to discover some insight into the migration experiences of returnees.

We used quota sampling to ensure a large enough sample of returnee migrants. Quota sampling allows us to ensure a reasonable number of returnees in our sample<sup>26</sup>. However, using a quota means that the individuals within the returnee and non-migrant groups are not picked entirely at random and we do not know the probability of selecting each respondent. As a consequence we do not know how representative our sample is of the general population.

The questionnaire covered the following topics:

- socio-demographic characteristics of respondents
- migration experiences (for returnees only)
- connections to the diaspora
- migration intentions
- opinions on how the diaspora could help the development of BiH.

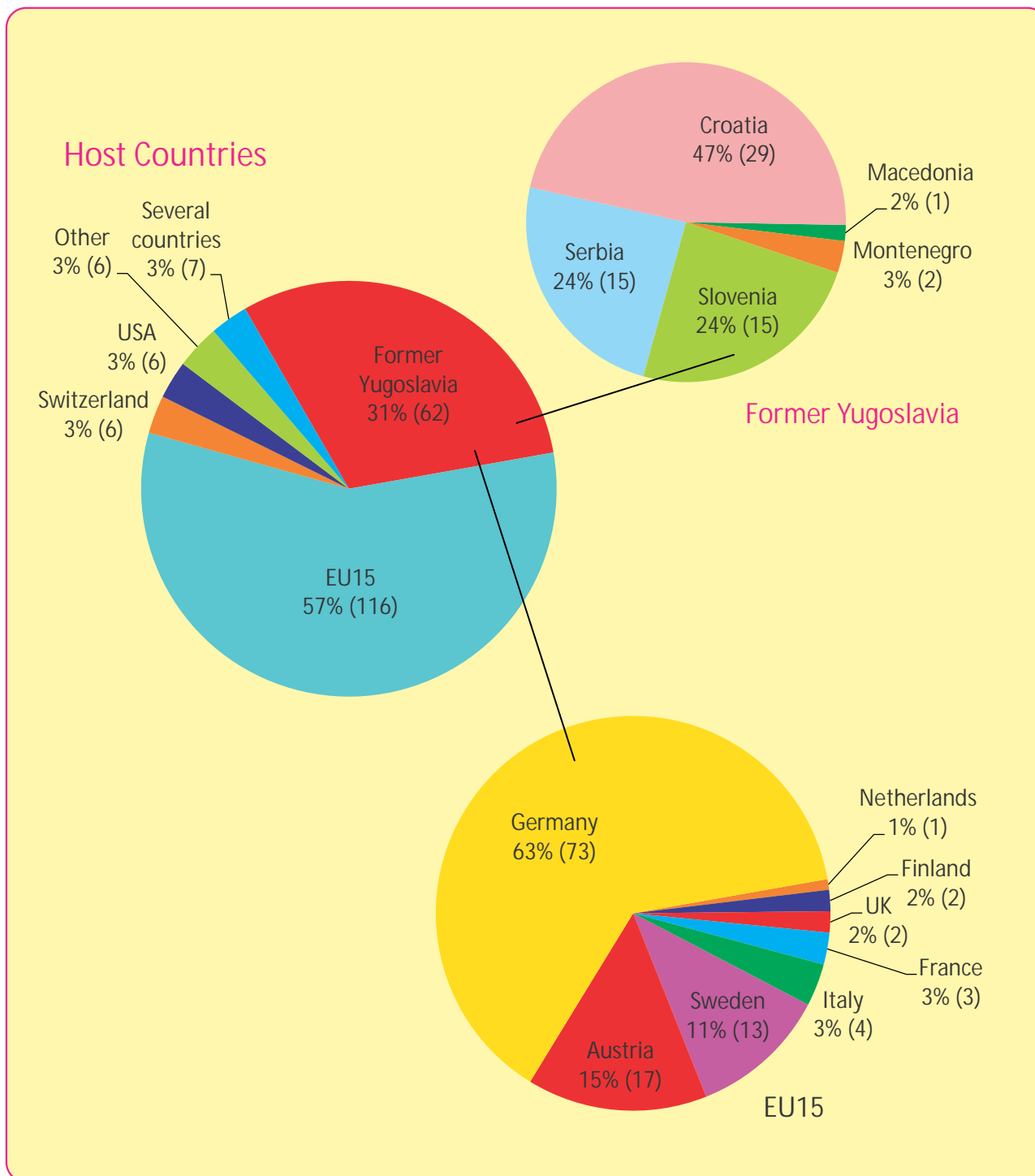
### 3.4.2. Migration destination

The majority of returnee migrants had moved to EU15 states (116 out of 203 respondents – see Figure 3.4.1), with largest number having returned from Germany (73 individuals). This is likely to be due to the large size of the BiH diaspora community in Germany, but also the fact that Germany did not grant permanent settlement status to BiH refugees in the 1990s. Of the 320,000 refugees Germany received between 1992 and 1995; 246,000 had been repatriated to BiH by 2005 (Valenta and Ramet, 2011). Most returnee migrants had spent their entire migration experience in one host country, with just 7 respondents indicating that they had settled in more than one country (3%). Most of these individuals had first migrated to a neighbouring country (Croatia, Montenegro, and Serbia) before moving to the country where they spent most of their time abroad.

<sup>26</sup> In fact three quota groups were used: 1) returnees, 2) internally displaced during the war and non-migrants, and 3) non-migrants and non-internally displaced. In the following analysis we do not distinguish between the internally displaced and non-internally displaced non-migrants.

Figure 3.4.1. Migration destination of returnee migrants

Information given: migration destination, percentage and number of returnees who migrated to the destination.

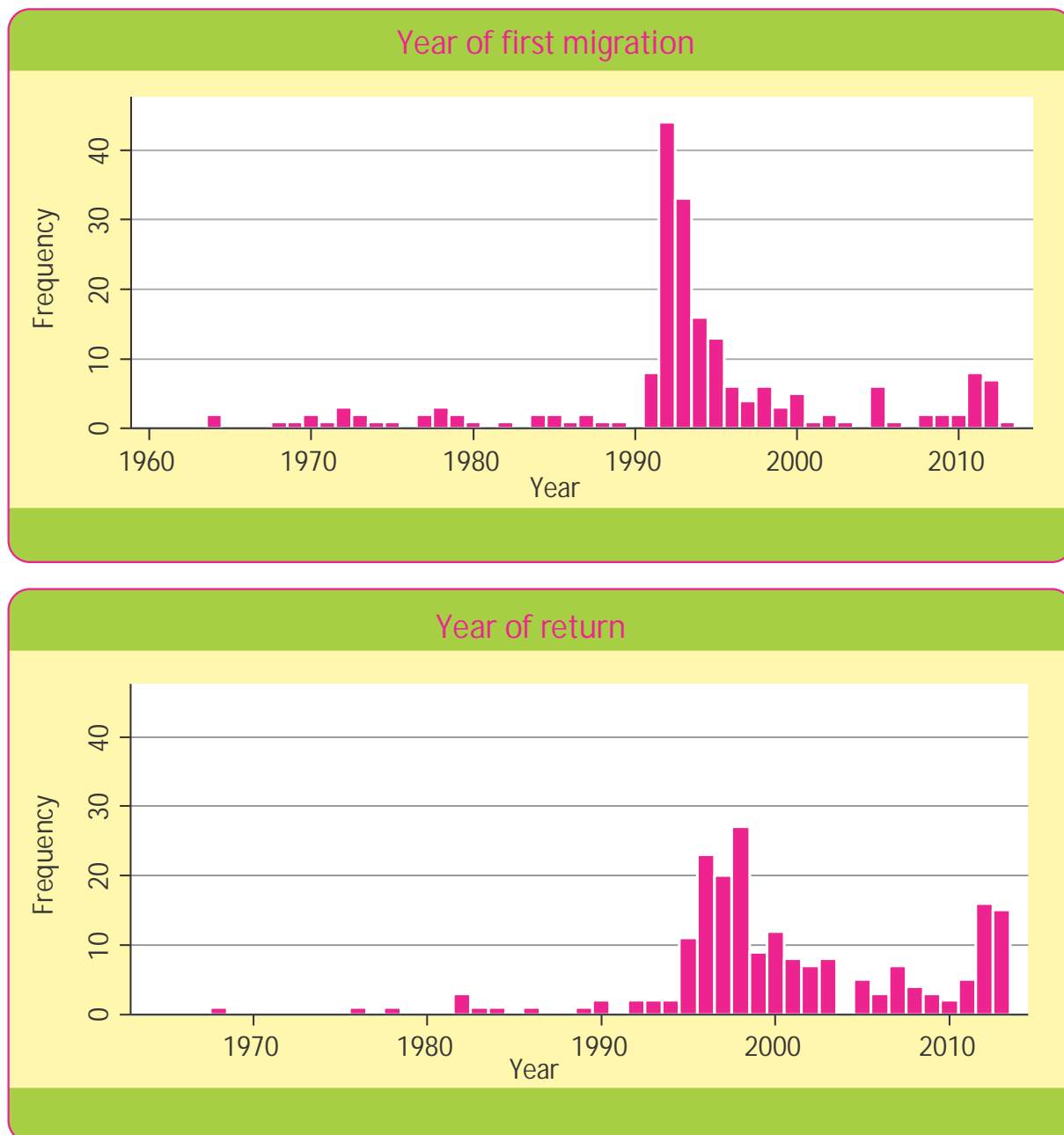


### 3.4.3. Migration characteristics

As discussed in Chapter 1, there are three distinct periods of BiH migration: pre-war (before the 1990s), the war period (1992-1995) and the post-war period. Each period of migration is covered in our sample: the earliest migration experience we captured being in 1964 and the latest 2013. Furthermore, these three periods correspond to different causes in migration: economic migration dominating in the pre- and post-war periods and war-related migration in the war-period.

15% of returnees sampled migrated between 1964 and 1989, the pre-war period, with departures reasonably evenly spread across this period (see Figure 3.4.2). Almost all of these individuals migrated to find work or get a better job (30 out of 32 individuals or 94%). The returnees who migrated after 1997 (23% of the sample) also listed these economic factors as the main reasons for migrating. Although, 21% of post-war returnees indicated that family reunion was their main reason for migration, a factor not mentioned by the pre-war respondents.

Figure 3.4.2. Years of migration and return

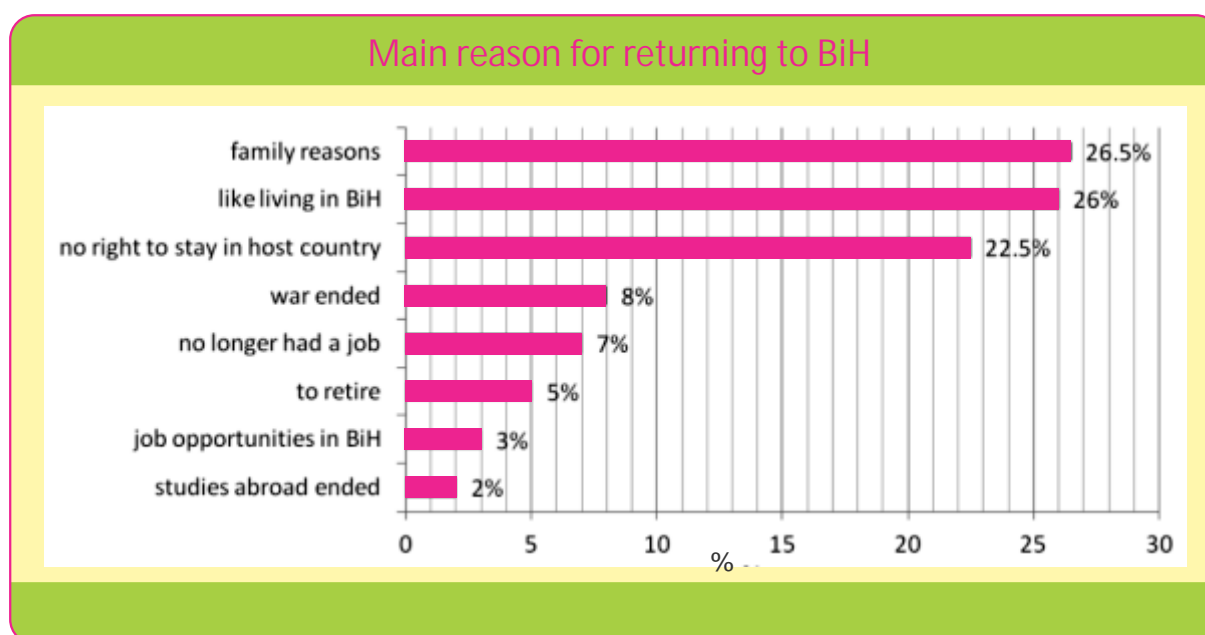


Most of returnees migrated during the war. 120 out of 203 returnees or 59% migrated between 1990 and 1996, with peak migration period in 1992 and falling off at the end of the 1990s. This pattern seems to match general migration trends (for example a 2010 survey of BiH migrants conducted by MHRRBiH and IOM). 79% of individuals who migrated between 1990 and 1996 stated that fleeing the war was their main reason for leaving. It is unsurprising that the majority of returnees belong to the war period of migration. This period witnessed the largest outflow of refugees – between 1992 and 1995 more than 1.2 million BiH citizens left the country and settled abroad (IOM/IASCI, 2010).

9% of returnees, 31 in total, indicated that they were circular migrants, and 15 had migrated three to ten times. The latter group tended to migrate for short periods, three to twelve months to find work or a better job (12 out of 15 respondents). Both males and females are equally represented in this group and the ages of these individuals run from 23 to 66 with evidence of circular migration across all time periods (1972 to 2013).

86% of returnees sampled returned to BiH after 1996. All returnees were asked the main reason for their return in an open question so that we would not influence their answer by them giving options to choose from. It is evident that the majority of migrants were attracted back to BiH because of personal ties to family and to the country rather than direct economic reasons. 27% (53 out of 200) of our returnees came back to BiH for family reasons such as being closer to relatives or getting married (see Figure 3.4.3) and another 26% (52 out of 200) returned because they liked living in BiH and wanted to come back home. Others returned to retire, due to their studies ending or for job opportunities. However, some returned because they were no longer able to stay – 22.5% no longer had the papers required to stay in their host country and 7% no longer had a job.

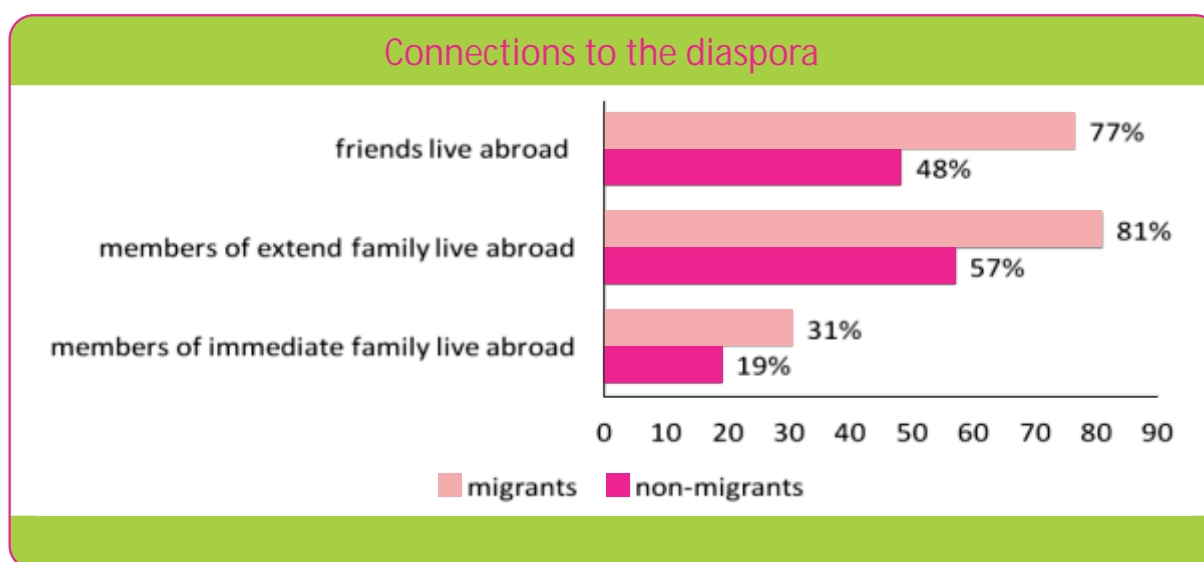
Figure 3.4.3. Main reason for returning to BiH



### 3.4.4. Connections to the diaspora

The results of our survey suggest that the majority of adults living in BiH have connections to the diaspora. 75% of respondents (451 out of 600) have friends and family in the BiH diaspora. Unsurprisingly, individuals who have migrated are more likely to have contacts in the diaspora - 90% of returnees have connections to the diaspora compared to 68% of non-migrants. 19% of non-migrants have immediate family members living abroad such as their wife, husband, children or parents, but most non-migrants (57%) have a member of their extended family living abroad. For returnee migrants the figures are considerably higher: 31% have immediate family members living abroad and 81% have extended family abroad.

Figure 3.4.4. Connections to the diaspora



It appears that many individuals in BiH have regular contact with members of the diaspora - 47% of respondents state they are in contact with family or friends in the diaspora at least a few times a month.

Around one in five respondents received remittances in the past 12 months from members of the diaspora. Whilst it seems that the receipt of remittances is quite common, it is less frequent than interviews with BiH officials suggested. Most households used their remittances to pay for everyday consumption (81%), rather than to pay off debt, to invest in land/housing, businesses or add to savings. A larger percentage of returnee migrants received remittances compared to non-migrants: 27% to 16%. However, we find no relationship between household income level and receiving remittances: there is no statistically significant difference in the proportions low, middle and high income households and the receipt (see Table below). There also does not seem to be a relationship between age and receipt of remittances.

Table 3.4.1. Remittances and household income relations

	Household income			
		Low	Medium	High
Household received remittances in the last 12 months	No	190	248	36
		79%	80%	88%
	Yes	51	61	5
		21%	20%	12%
	Total	241	309	41

Pearson  $\chi^2 = 1.7756$  p-value = 0.412  
Fisher's exact = p-value = 0.436

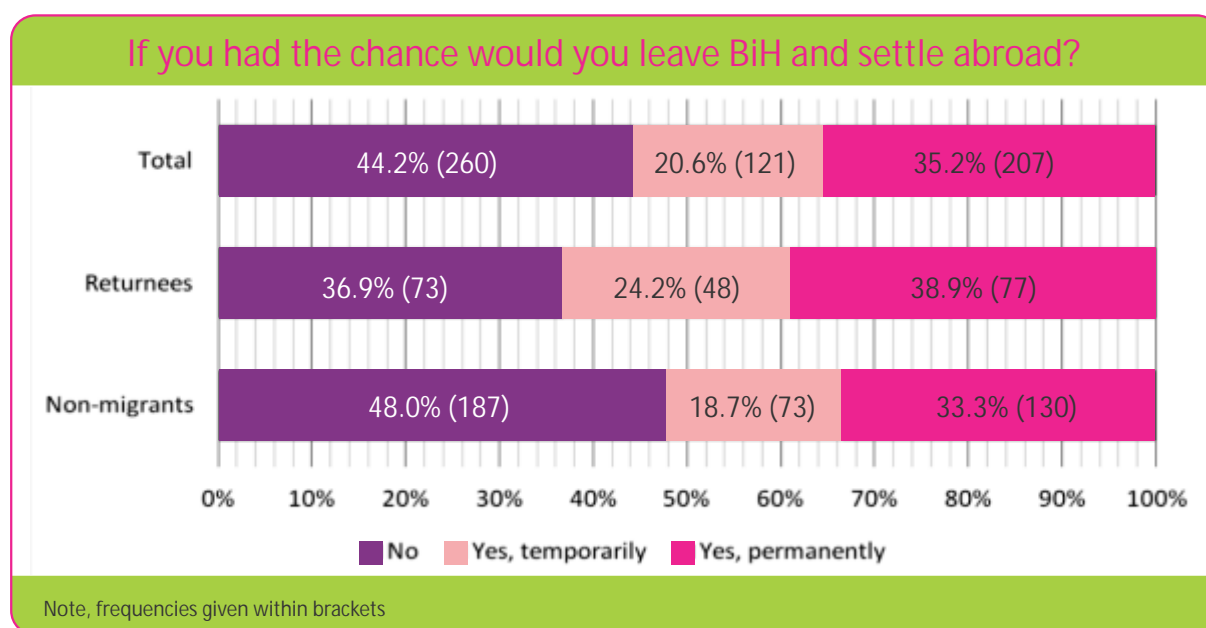


### 3.4.5. Migration intentions

#### Migration intentions from 2013 survey

Respondents were asked if they would leave BiH and settle abroad if they had the chance and 55.8% of respondents said that they would leave and more than half of these would settle abroad permanently (see Figure 3.4.5 below). Returnees are more likely to respond that they would move abroad once again if they had the chance. Although it appears from Figure 3.4.5 below that there are differences between percentage of returnees and non-migrants in whether they would consider temporary versus permanent migration, these differences are not statistically significant.

Figure 3.4.5. Aspiration for emigration



However, only 17% respondents had any concrete plans to move abroad for more than three months. Hence, most individuals who would migrate if they had the chance do not actually have any plans to migrate. Yet, returnees are much more likely to have concrete plans to move abroad than individuals with no migration experience: 34% of returnees have plans to move abroad versus 8% of non-returnees.

Pull-factors rather than push-factors dominate as the reasons why individuals would like to move abroad. Most individuals who indicate that they would move abroad if they had the chance would like to move abroad for better opportunities (see Figure 3.4.6 below). The standard push factor, migration due to the poor economic situation in the country of origin, is only cited by 6% of those surveyed. However, whilst those individuals who only would consider moving abroad temporarily focus more on finding work or getting a better paid job, those who would move abroad permanently seem more pessimistic as the majority indicate that they do not see a future in BiH for them or their children and that they think they will obtain a better standard of living abroad. Interestingly, only one respondent gives education as a reason to move abroad.

Figure 3.4.6. Main reason for migration

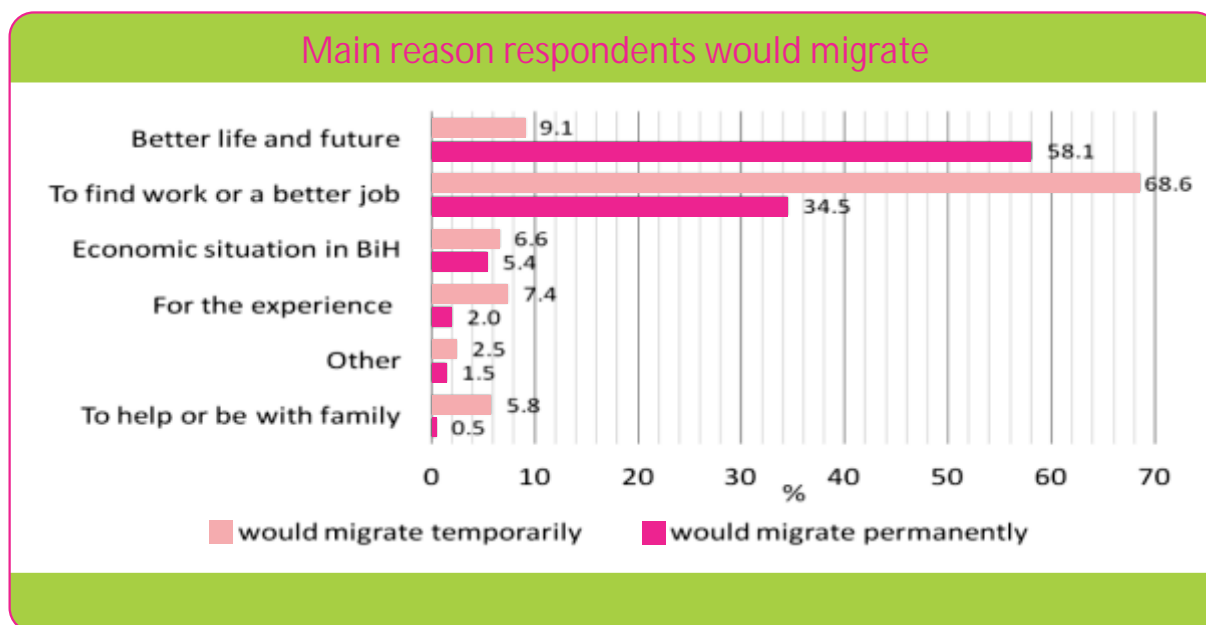


Table 3.4.2 below shows various socio-demographic characteristics of individuals who would migrate if they had the opportunity against those who would not; there are some differences. They tend to be younger, their mean age is 38 compared to 57, and be educated to secondary school level. Positively for the brain drain, individuals with higher education do not seem to be more likely to emigrate, only 10% of those individuals who would migrate have completed higher education compared to 12% who wouldn't migrate. Yet 10% of respondents who are considering migrating are students than compared to 1% who are not. This statistics is likely to be influenced by the role age plays in migration – younger people are more likely to migrate. We can see the influence of age on the relationship between occupation and willingness to migrate in the fact that 42% of individuals who would not consider migrating are retired, compared to 8% of individuals who would migrate. These patterns are similar when comparing individuals who have plans to migrate and those who do not. Interestingly, returnees are more likely to consider moving abroad and much more likely to have plans to do so. The relationship between socio-demographic characteristics and migration intentions is analysed in more detail below and the findings from this further analysis match the patterns described here.

Table 3.4.2. Plans for migration

	No migration plans	Migration Plans	Would not migrate	Would migrate	Total
mean age	48	38	57	38	46
male	46%	58%	46%	49%	48%
education - none	8%	1%	13%	2%	7%
education - primary	19%	11%	27%	11%	18%
education - secondary	62%	78%	49%	77%	65%
education - higher education	11%	10%	12%	10%	11%
household income - low	44%	20%	45%	37%	40%
household income - medium	49%	66%	49%	54%	52%
household income - high	6%	13%	6%	8%	7%
employed	26%	40%	23%	33%	28%
unemployed	23%	36%	13%	33%	25%
students	6%	10%	1%	10%	7%
retired	25%	7%	42%	8%	22%
housewife	19%	8%	20%	15%	17%
rural area	59%	53%	61%	56%	58%
returnee migrant	27%	67%	28%	38%	34%
no of observations	499	101	260	328	600

## Migration intentions – empirical investigation of the data 2000-2010

As a next step in our investigation, we utilize the UNDP EWS survey database (2002-2010) and apply relevant econometric methodology to answer the questions of interest here: What are the main determinants of aspirations for migration out of BiH?; What is their influence in terms of magnitude or strength?; What is the rank (importance) of these determinants?.

In this empirical investigation we analyse data from the household sector BiH. A series of quarterly surveys were conducted over the period 2000-2010 by a professional survey agency to support the UNDP project „Early Warning System“. 37 waves of data were collected, leading to over 66,000 observations overall (1,800 observations per survey, on average). There were some deviations between years regarding the implemented surveys (i.e., not for all years in the observed period we deal with four surveys, but in some case with less). In addition, not all variables of interest are available for the whole period<sup>27</sup>, which makes that effectively we will have a sample of around 45,000 individuals and time span 2002-2010.

Although this is a household survey, we deal with individual responses (only one individual per household) from adults who are citizens of BiH. Each individual was randomly selected for the interview based on the sample criteria. The sample is representative of entities in BiH, regions, municipalities, ethnic groups, genders, and urban/rural areas. A unique feature of this dataset is that it was designed to capture socio-economic determinants, including the question of our interest – aspirations of respondents to leave the country, or more precisely, adult population who is willing to migrate abroad.

We start by examining the main question (the dependent variable) in our empirical analysis: „If you have a chance, would you be willing to leave BiH and settle abroad?“. The aggregated and disaggregated responses are available in the table below.

Table 3.4.3. Aspirations to migrate abroad

If you have a chance, would you be willing to leave BiH and settle abroad? (%)									
FULL SAMPLE 2000-2010									
		AGE		EMPLOYMENT		EDUCATION		GENDER	
%	BiH	Young	Old	Employed	Not employed	Secondary and high	No and primary	Female	Male
NO	58	38	68	57	50	52	74	60	56
YES	42	62	31	43	50	48	26	40	44

\*Note, „do not know“ responses excluded. Author's calculation using STATA 12.  
Source: UNDP BiH EWS 2000-2010 data base.

As it can be seen from the table, there is 42% of people claiming that they would be willing to leave the country if they have a chance. The World Bank (2013) reports that 32% of the BiH adult population is willing to migrate abroad. These data are based on LITS (2010) survey and WB estimates, which means that they are not directly comparable to our data. Still, this indicates a large number of potential migrants from BiH. Recall, the previous chapter based on 2013 survey data revealed that more than 50% of individuals have „migration intentions“.

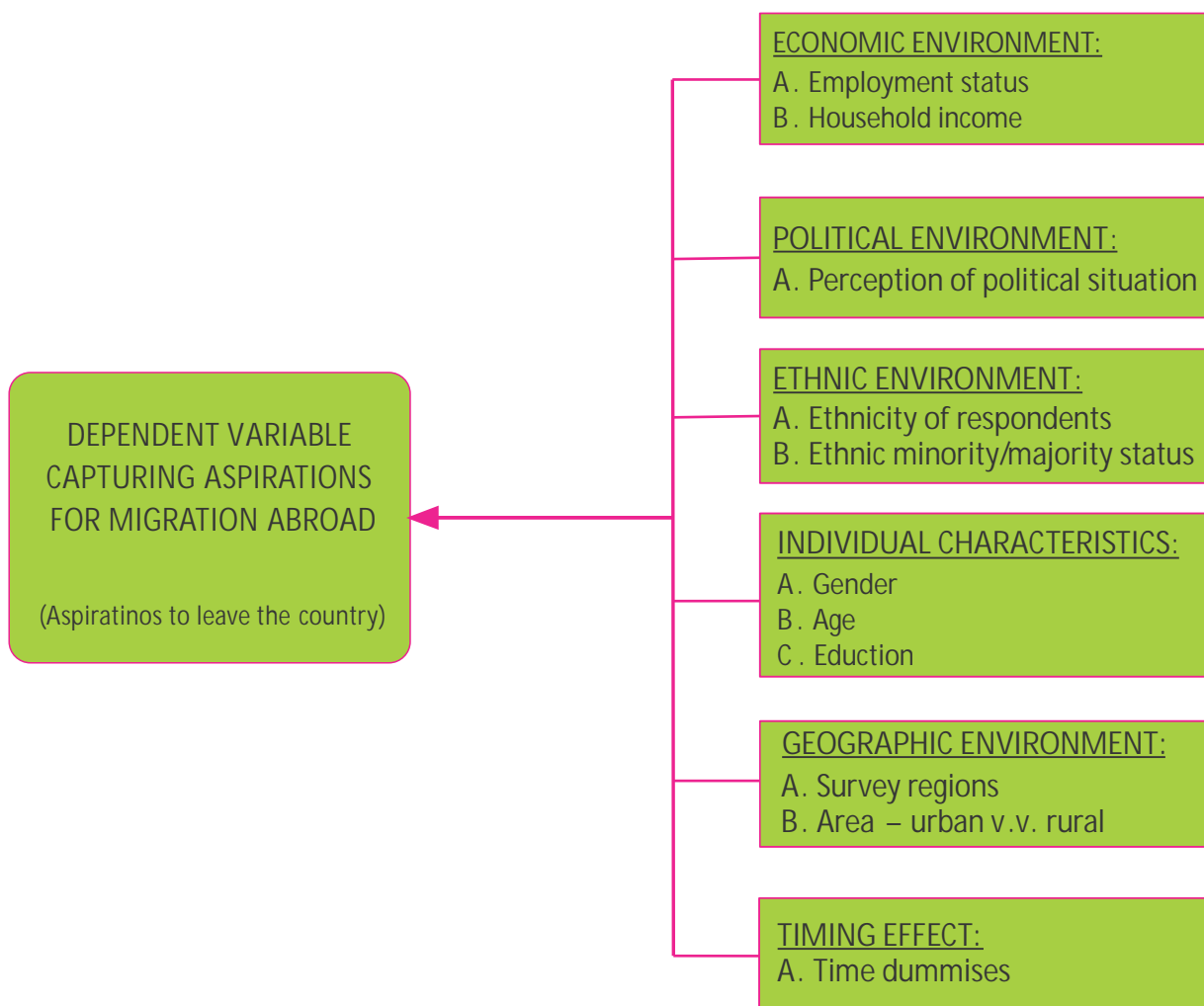
The information that we obtain from this question is percentage of adult population (and different subcategories) who are willing to migrate abroad. This means that we are measuring neither real migration nor capabilities to migrate. In real life situations many of respondents who claim “willingness” to leave the country

<sup>27</sup> Note, variable capturing if respondents are employed or not is available from 2002. This variable has a significant effect in the model, we have theoretical reasons to include it, and finally, the model fit is highly improved if this variable is included in the model. Accordingly, the baseline model starts from 2002, while in our robustness section we will report the results without this variable and with the full sample 2000-2010.

will probably not have relevant capacities (financial, administrative, institutional, networking and others) to either start this process and especially to migrate abroad. Accordingly, they might face number of internal and external barriers to emigration; and, majority of them will not (have a chance or plan to) migrate abroad. What we are measuring is intentions, aspirations, desires to migrate abroad. As an indication of significant differences between intentions for migration (internal and external) and moving to different places, we can refer to WB (2013) report. This reports acknowledges that there is over 60% of adults willing to migrate either internally or externally in BiH, while only 17% of adult population moved in the last 20 years; hence, including the war induced (mainly forced) migration. Interestingly, the previous section has similar data: 56% is aspiration for migration abroad but only 17% of respondents are having concrete plans.

However, going back to the question of interest, we can see that adults' aspirations to migrate abroad (42%) changes between different categories of respondents being the highest for young respondents (62%) and those who are not employed (50%). In addition, a quite high percentage is obtained for more educated individuals being close to 50%. After looking these data we have initial indications that age, economic situation and education (human capital) might be very important determinants to investigate in our empirical modelling. A visual interpretation of the estimated model is below (Figure 3.4.7) while explanation of the model specification, descriptive statistics of variables, base-line model results and marginal effects from the base-line model after probit estimates are available in Appendix C.

Figure 3.4.7. Modelling determinants of aspirations to migrate abroad



Source: Author's illustration.

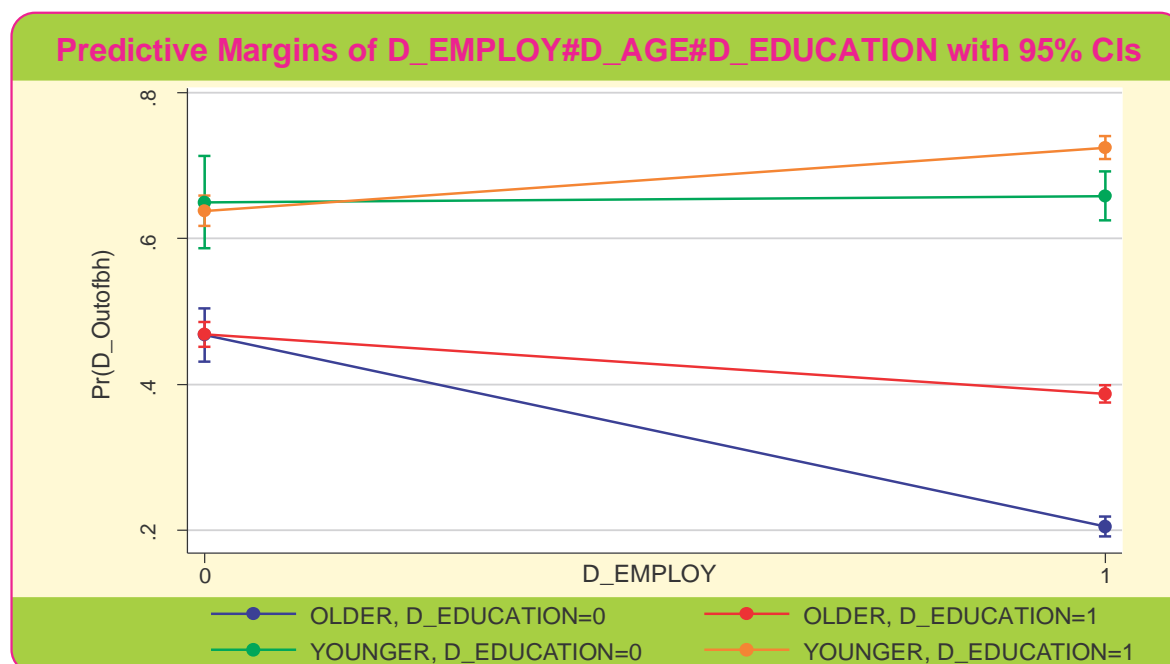
We find that majority of controlled variables are statistically significant at the 10% level. The quantitative-qualitative explanation of statistically significant influences is the following:

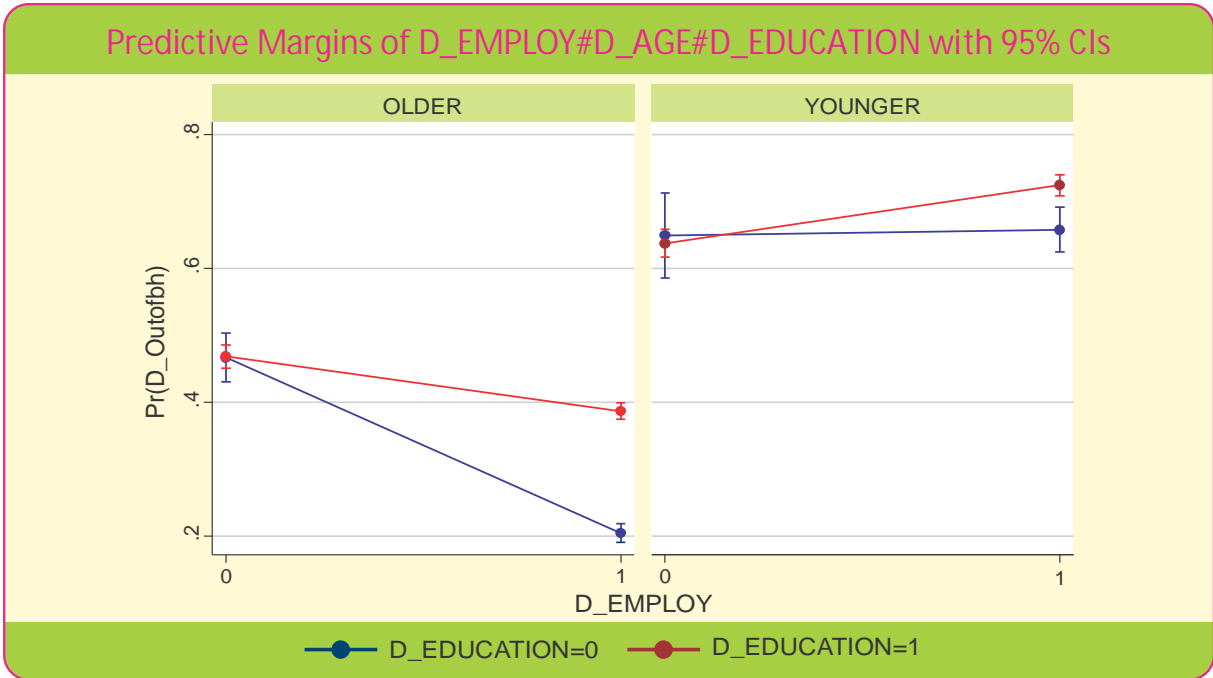
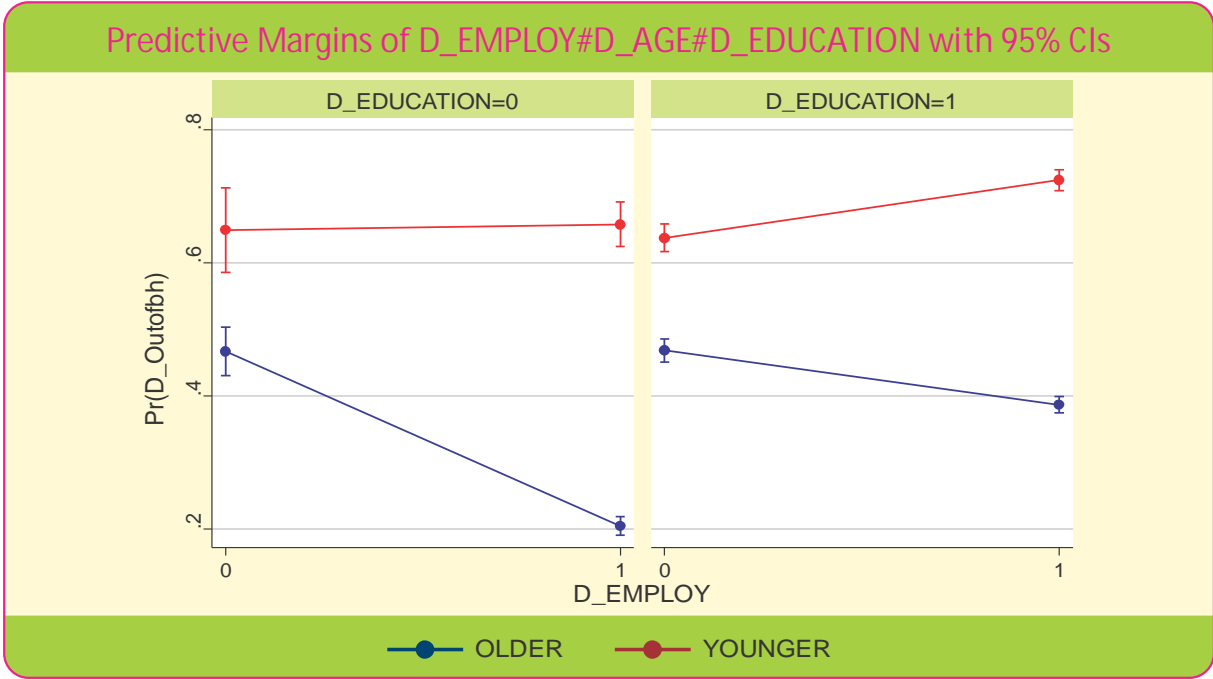
1. Ageing of the respondents has the largest effect in the model. The younger respondents (18-35 years) have a 30 percent higher probability to report aspirations to migrate abroad in comparison to the older respondents (36 years and over).
2. The level of education has the second largest effect. There is an 18 percent greater probability that more educated individuals (secondary and higher education) have aspirations to leave BiH in comparison to less educated individuals (no education and primary education). This finding is an indication of potential brain drain phenomenon.
3. The family income has also a quite large marginal effect. There is 14% higher probability to report intention to migrate out of BiH by respondents coming from families reporting their income at the „edge of existence“ in comparison to those who reported the average income. This probability is higher for 6% for those reporting their income below the average, while it has a negative effect (-7%) for those respondents coming from families with income above the average. Apparently, the level of family income is an important determinant of aspirations to leave the country; the lower the income the stronger is aspiration to migrate abroad.
4. Political situation has also a strong and significant effect in the model. There is 8% higher probability to claim intentions for leaving BiH by respondents perceiving political situation as of worsening in comparison to those who are more optimistic (political situation marked as developing in the direction of improvement).

The results clearly suggest that three most important factors (i.e. the largest magnitude) are the age of respondents (30%), the level of education (14%), and the (low) level of family income (14%). We have conducted number of additional checking of the base-line model, including a model extension with some new variables, distinguishing between different age and education categories and investigating interaction effects of the main variables in the model. These checking do not bring any new information and they are not reported here because of the space.

However, some more interesting results can be obtained by looking at the combined effects of the three determinants with the highest magnitudes in the model (for economic determinants we investigate interactions with both: employment status and family income level). The following figure presents these estimated effects in a visual display. To make interpretation and visibility easier, we present (below) the main graph as well as we split the graph into two subgraphs.

Figure 3.4.8. Interaction effects of employment status, age and education





To help understanding of the graph, one example of explanation is the following. The lowest line (blue) shows the probability of having aspirations to leave the country ( $D_{OUTOFBH}=1$ ) for older individuals ( $D_{AGE}=0$ ) with no or primary education ( $D_{EDUCATION}=0$ ) and employment status:

- employed ( $D_{EMPLOY}=1$ ); and
- not employed ( $D_{EMPLOY}=0$ ).

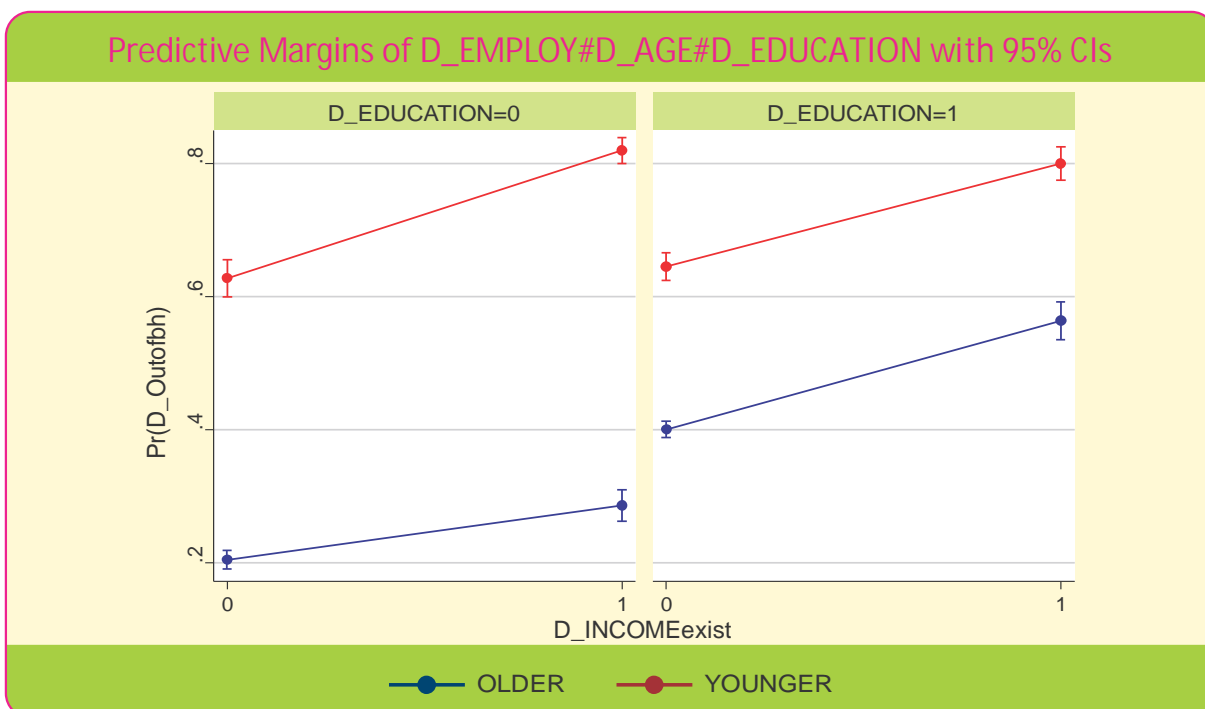
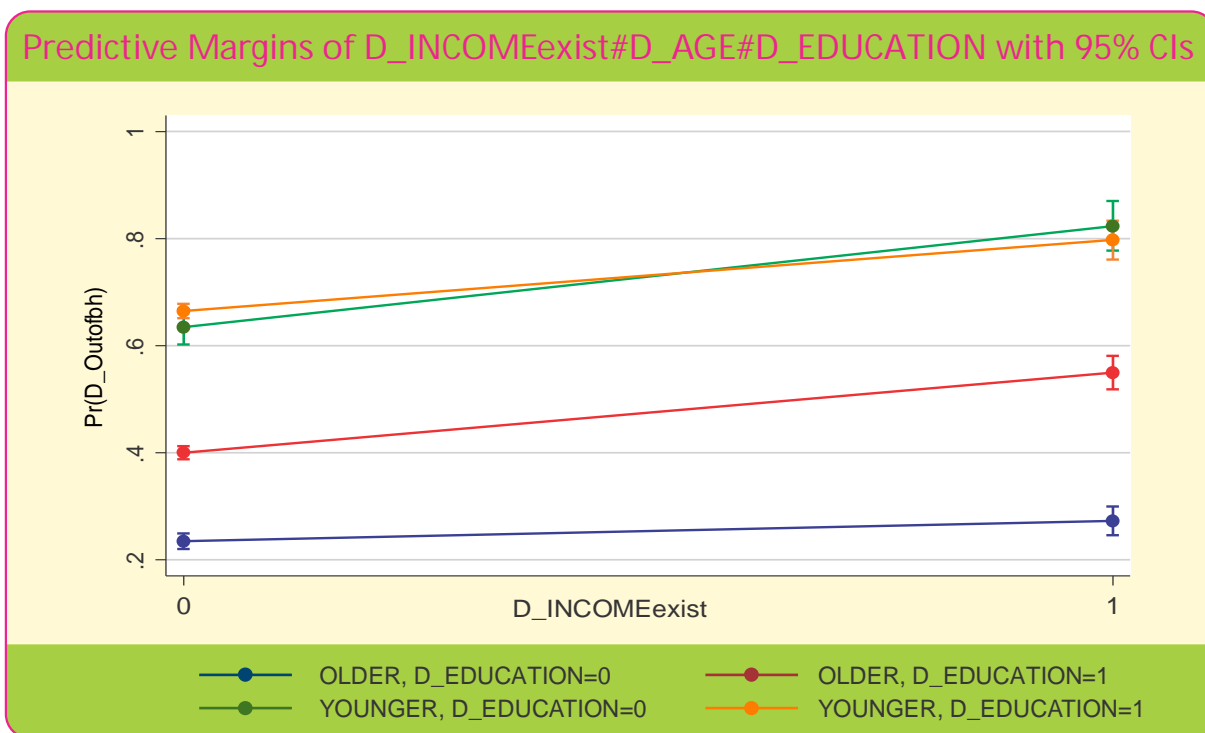
Accordingly, the left-hand top extreme of the brown line shows that high-educated young people who are employed report 72% per cent probability of having aspiration to migrate abroad. Overall, the young respondents report a high aspiration to leave the country no matter if they are educated or not and if they are employed or not employed (always over 60%).

In contrast, for older respondents the change in the employment status (from employed to not employed) significantly increases probability of the intention to migrate abroad. Older respondents who are

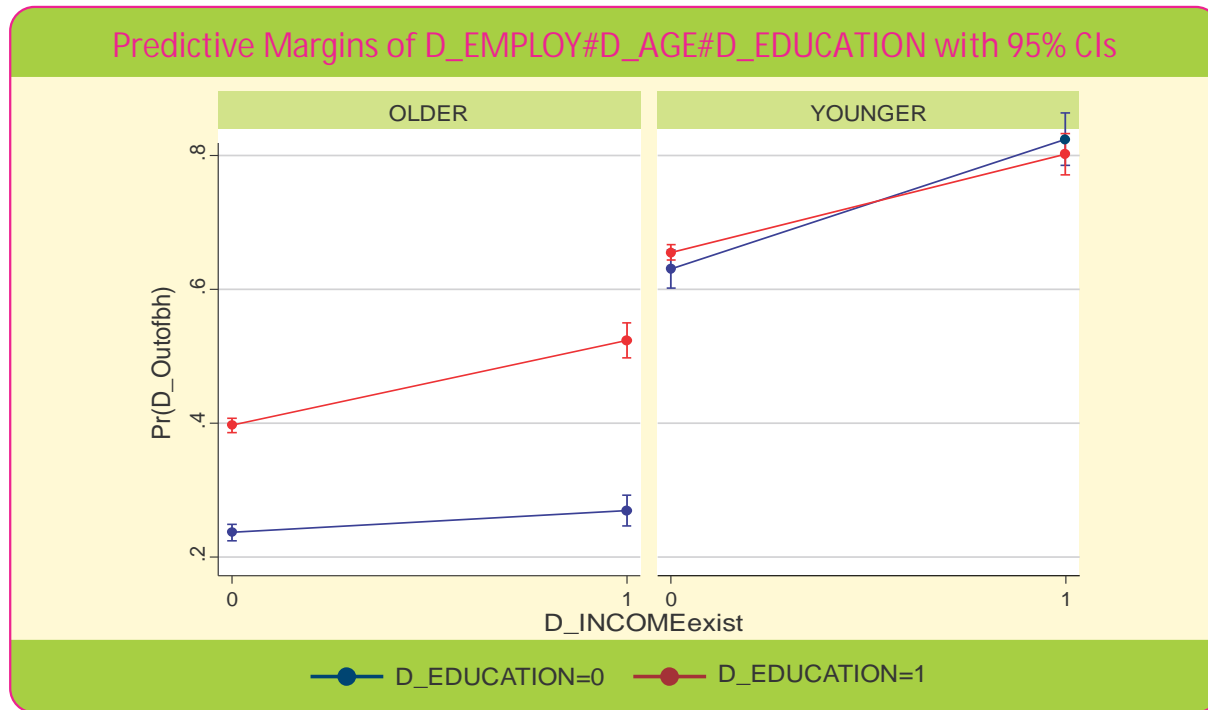
not employed are estimated to have the same probability (47%) of aspiring to migrate no matter if they are educated or not. However, if employed, the older respondents report significantly different intentions depending on the level of education – suggesting that more educated employed individuals report higher probability (37%) in comparison to the less educated (20%). All in all, this is an indication of potential brain drain effect for the older respondents.

Next, we continue by looking interaction of the second economic determinant, the level of family income (the smallest level of income), age and education. Note, we include in the specification only a dummy for the income at “the edge of existence”.

Figure 3.4.9. Interaction effects of family (low) income, age and education





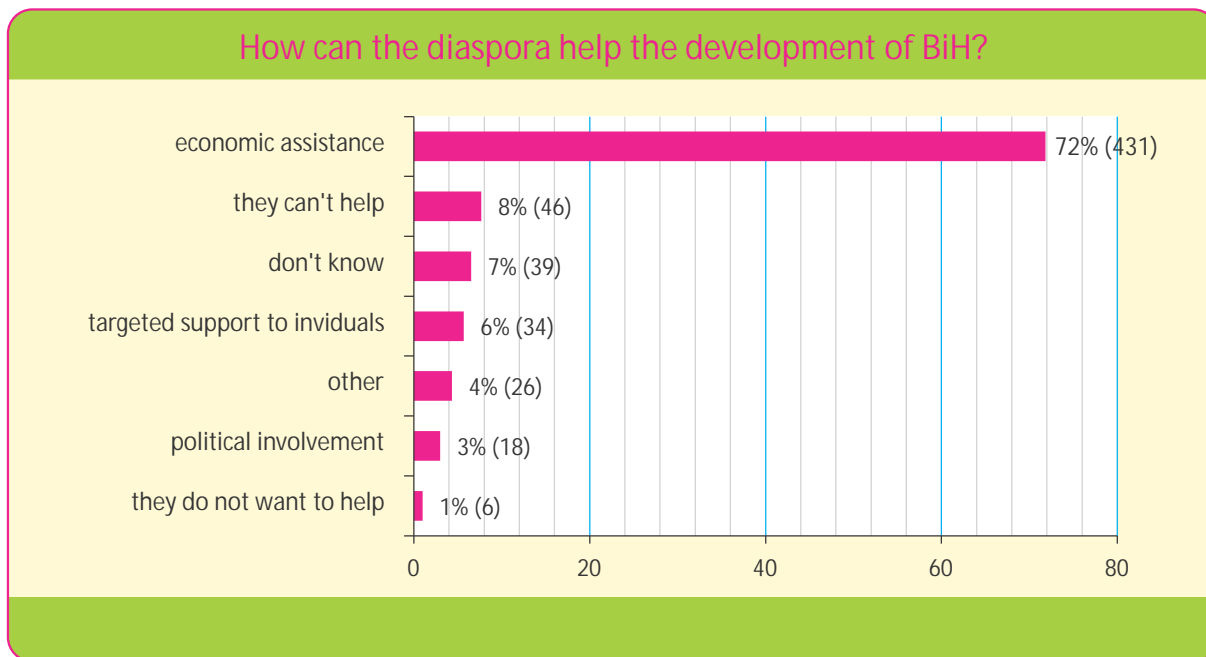


In the context of family income effect ( $D\_INCOMEexist=1$ ), we can see that in all combinations the low level of family income increases probability of having intentions to migrate abroad, no matter if individuals are educated or not and if they are younger or older. However, as in the previous case, there is systematically higher probability for young respondents, which is additionally increased by the low-income status of the family. Accordingly, the highest statistically significant probability of aspirations for migration abroad (82%) is reported for non-educated young individuals living in low-income families.

### 3.4.6. How can the diaspora help development?

We asked all respondents in 2013 survey an open question about how they thought the diaspora could help the development of BiH. The vast majority (72% or 432 out of 600) replied that they thought the diaspora could give some form of economic assistance. Various types of economic assistance were suggested, the most popular being that the diaspora should invest in BiH businesses (203 respondents or 34%) whereas other suggested that the diaspora should give financial aid, build houses and factories in BiH or spend money in BiH. Another category of proposals is that the diaspora should target their support at certain sections of BiH society, some suggesting their relatives, others that they should target vulnerable groups, and a few respondents thought that the diaspora should provide scholarships and help to young people. Some respondents thought that the diaspora could help development by instigating political change in the country. Finally, some individuals did not know how the diaspora could help development (8%) and others felt that the diaspora can't help (7.5%). However, only a very small number of individuals felt that the diaspora did not want to help (1%). The other category included suggestion such as the diaspora could help BiH by returning, finding jobs for friends and family abroad and providing information.

Figure 3.4.10. Diaspora and development of BiH



There is no statistically significant difference in the opinions of men and women (figure 3.4.11). The overall trend in responses is similar in FBiH and RS, although there are some small differences as can be seen in Figure 3.4.12. More respondents in RS think that the diaspora can help through economic assistance and targeted support to individuals than in FBiH and fewer respondents in the RS think that the diaspora is unable to help.

Figure 3.4.11. Diaspora and development – by gender

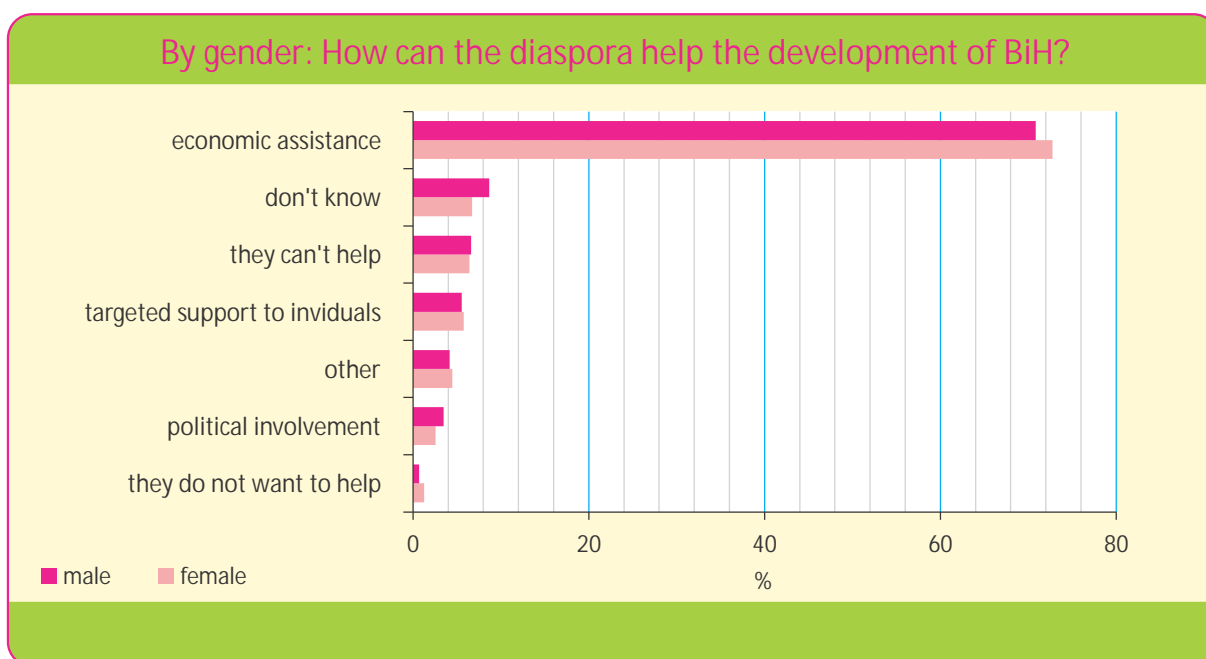
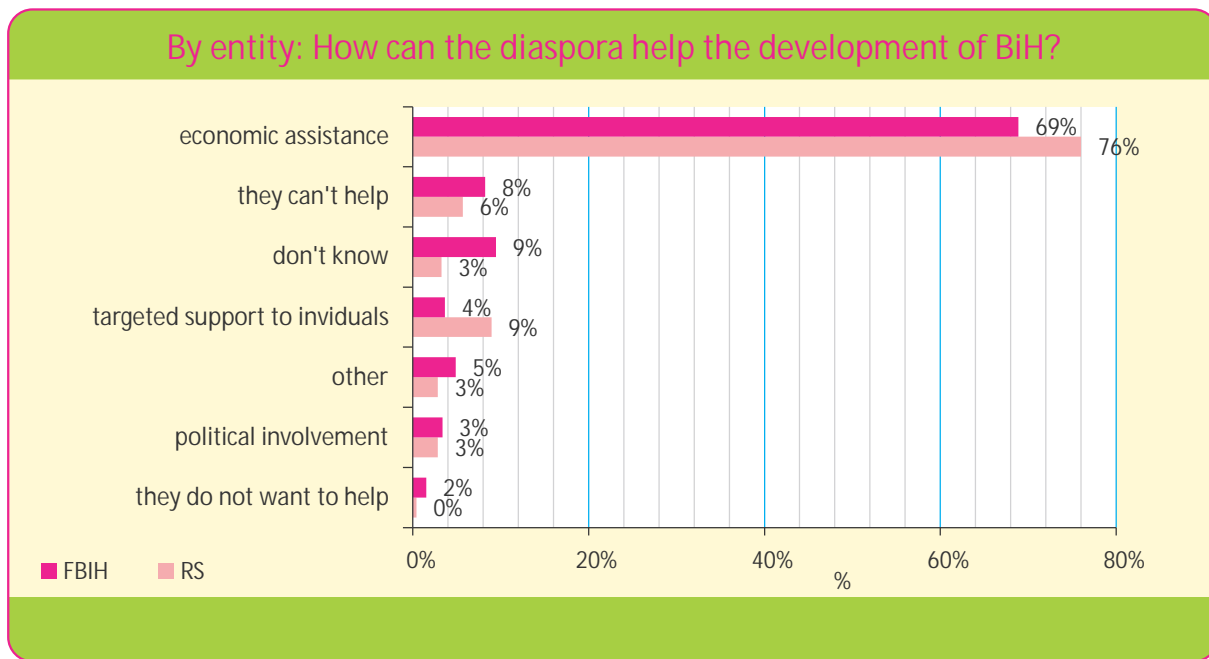


Figure 3.4.12. Diaspora and development – by entity



### 3.4.7. Conclusions

The results from this section indicate that a very large proportion of individuals in BiH have strong connections to the diaspora – 57% of individuals who have never migrated have members of their extended family abroad and many are in regular contact with their family and friends in the diaspora. However, the proportion of individuals who receive remittances is much smaller – in our sample around a fifth of households receive remittances from the diaspora. Whilst much literature emphasises the importance of remittances in helping the development of the country of origin, social connections with the diaspora have been less analysed and discussed. In this survey we can see that many more individuals have social connections than receive remittances. These connections indicate that there are vast social networks which keep the diaspora linked to BiH. Furthermore, the reasons returnee migrants give for their return speaks of a strong bond with the country: 26% indicated that they returned because they felt attachment to BiH and another 26.5% because of family attachments in BiH. These social connections could provide a strong basis for encouraging greater diaspora engagement with the development of BiH.

However, less optimistically, around half of our respondents indicated that they would move abroad if they had the chance and over one-third would like to settle abroad permanently. The empirical econometric investigation suggests that the highest probability of having aspirations for migration abroad is linked with young-educated-employed individuals (72% probability for having this aspiration) and for young-non-educated-low family income respondents (82% probability). In the context of aging, the main effect on high aspirations is linked to (younger) age, and without huge differences if combined with education, employment and income. However, in the context of older respondents, the primary determinant of higher aspiration for migration abroad is linked to the employment status and family-income level, hence, being more linked to the economic determinants.

76

Furthermore, although many returnees have been attracted back to BiH rather than forced to return because they could no longer stay in their host country, more returnees would consider moving abroad than individuals without any migration experience and many more returnees have concrete plans to move abroad again. It seems that more needs to be done by the government to make ex-diaspora in BiH want to stay in the country.

Finally, most individuals think that the diaspora should be able to help the development of BiH by providing economic and financial assistance. Investing in BiH businesses is stressed by more than half of the individuals who think the diaspora can help economically. Yet, many feel that the diaspora should provide economic aid.

### *Conclusions*

The role of diasporas as potential contributors to development has gained a lot of attention in development thinking. Some even recognize diaspora as “wings of development”, “heroes of development”, “development agents” of their countries of origins. Diasporas are identified as potential source of financial, human and social capital that might be used to support development of their home countries. The diasporas' contributions to the development vary according to specific circumstances, background and structure, including in particular the size, time-dimension, integration outcomes, experience of engagement and individual characteristics.

The most recent estimates suggest that the BiH diaspora accounts for more than 50% of BiH population (over 2.0 million) and it is the biggest diaspora (as % of total population) in the South East European region. The BiH diaspora is often highly educated, well integrated into host countries and economically active. As such, the BiH diaspora is a potential agent that could contribute to development of its country of origin through different types of support.

The BiH diaspora remains to be an important source of financial capital for BiH - it sends more than 10% of GDP remittances annually. These remittances are mainly (81%) used to support current consumption of goods and services rather than to pay off debt, to invest in land/housing, businesses or add to savings. Such structure of remittances suggests that remittances are a short-term stabilizer for (low-income) households' current consumption. We find no relationship between household income level and receiving remittances. Over the last few years, remittances in BiH infused more money than foreign investors. However, some estimates suggest that financial remittances might diminish in the medium to long term.

Diaspora can economically contribute to its home country by providing badly-needed investment and improving perceptions of investment climate. The estimated average net saving of a BiH migrant household abroad is around 8,500 Euro per year and the total retained saving is estimated to be around 5 billion Euro in 2009 (around 40% of BiH GDP). At the same time, a small percentage (some 20%) of BiH migrants in EU countries keep even part of their savings in BiH, although the BiH banking sector is one of the most developed in the region. Still, some 30% of BiH diaspora plan to invest in BiH, while only 6% directly invested or provided credit to businesses in BiH<sup>28</sup>. Investment potential of BiH diaspora is large but remains underused. Moreover, each investment is supported by new knowledge and technology, which BiH diaspora has obtained in their country of residence, and this seems to be just as important as the transfer of financial capital.

Human capital – the education, training and skills embodied in the labour forces - is a key factor for economic growth and development. Whilst many BiH migrants may not return to permanently settle in BiH, they may still facilitate knowledge and skill transfers and improve human capital and economic incentives in the country. The existing data suggest that BiH diaspora is often highly educated (e.g. over 50% of BiH migrants have tertiary education in Australia, over 40% in USA and around 30% in Sweden) and can be an important source of knowledge transfers.

Social capital – social networks, norms, social trust – is an important determinant of development as well. Migrant networks are often an important source of information about job opportunities, housing, and access to finance. In addition, migrant networks provide financial, social and emotional support in the destination country; they are a mean of transferring knowledge and resources. This research indicates that 75% of respondents have friends and family in the BiH diaspora and the majority of adults living in BiH have connections to the diaspora; 47% of respondents state they are in contact with family or friends in the diaspora at least a few times a month.

<sup>28</sup> Source of the presented data: IASCI/IOCM, 2010.

Whilst much literature emphasises the importance of remittances in helping the development of the country of origin, social connections with the diaspora have been less analysed and discussed. We find that many more individuals have social connections than receive remittances. These connections indicate that there are vast social networks which keep the diaspora linked to BiH. Furthermore, the reasons returnee migrants give for their return speaks of a strong bond with the country: 26% indicated that they returned because they felt attachment to BiH and another 26.5% because of family attachments in BiH. These social connections could provide a strong basis for encouraging greater diaspora engagement with the development of BiH.

Institutional environment for diaspora engagement (in development) affects economic, political and social ties to the country. A number of countries have started to institutionalize relationships with their diasporas. Some governments claim to be motivated by national interests such as development, whilst others are motivated by a feeling of responsibility to population settled abroad.

The Constitution of BiH assigns “immigration, refugee and asylum policy and regulation” to the state level. The Ministry of Human Rights and Refugees BiH (MHRRBiH) was established in 2000 and it has jurisdiction over the creation of policies towards BiH diaspora – it drafts diaspora related laws and strategic document. MHRRBiH has a Department for diaspora that is currently one of the most active institutional units in the area of diaspora and development. It collects, systematises, investigates, publicises and distributes data related to BiH diaspora; it promotes economic, human and other potential of BiH diaspora.

The state level in BiH (Council of Ministers of BiH) adopted the *Strategy in the Area of Migration and Asylum and Action Plan for the Period 2012-2015* where the goal six is Strengthening institutional capacities in BiH with the purpose of connecting migration and development. The strategy is in the process of implementation, while a Coordination body monitors the implementation of this strategy. It is too early to analyse outcomes of this strategy. However, diaspora engagement policies and initiatives coming from the BiH government(s) have been rather weak in the past, although some more concrete activities are identified in the recent years.

The analysis of government institutions in this study focuses on the perceptions and capacities of BiH institutions to involve the BiH diaspora in development. At all administrative levels (state, entity, cantonal, municipality and the Brcko District of BiH) public officials identify different kinds of the diaspora's potential as a source of development, but primarily financial and human capital. State officials generally regard the diaspora as one of the most important financial and human resources for development in BiH, although some seem to overestimate the possibilities to exploit the full potential. Apparently, there is a great awareness about the potential that diaspora can play in development, although an economic understanding of development predominates.

There is a lack of institutional capacity for more active diaspora engagement in development. This limitation is primarily a reflection of the complex administrative, economic and political environment in BiH. It is further challenged by a limited institutional cooperation between different institutions, relevant institutional sectors as well as different administrative levels.

The majority of the state officials mention the lack of a comprehensive diaspora data, which makes it difficult to map the BiH diaspora and communicate with it. It is possible to identify different experiences in communication with the diaspora, including some examples of an organized communication with targeted groups and individuals (e.g. different diaspora organizations) primarily at the state level and also, to the contrary, examples of informal communication (e.g. through personal or local population networks) or an absence of communication, identified at the lower institutional levels. However, sometimes we get the impression that the lack of database is used as an excuse for not doing more, especially at the municipal level where it is much easier to identify its diaspora and establish communication with it (for example, several municipal officials has even presented approximate numbers of their diaspora, estimated on the basis of different indirect parameters they operate with).

Nevertheless, the communication gap with the BiH diaspora remains one of the challenges for mobilizing the diaspora for development. In particular, there is an urgent need to improve communication with the second and third generation expatriates – those born abroad. Consequently, with the exception of the state level, communication between institutions and the diaspora is often based on individual and private contacts.

The investigation at the municipality level includes 10 municipalities where the project *Mainstreaming the Concept on Migration and Development into Relevant Policies, Plans and Actions in BiH* is in the process of implementation (SDC-UNDP municipalities) and 13 others. The project is funded by the Swiss Agency for Development and Cooperation (SDC) and implemented by UNDP BiH, while the responsible national partner is the MHRR BiH.

Officials at the municipal level identify many different ways in which the diaspora can contribute to development (including investments, transfer of knowledge, technology, financial support, remittances, pensions, economic lobbying, and philanthropy). In particular they refer to positive examples of the humanitarian and voluntary support of the diaspora in various sectors over the years.

The interviewed municipality officials also recognize importance of investment activities and potential of the BiH diaspora. They also underline that each investment is supported by new knowledge and technology which the BiH diaspora has obtained in their country of residence. In their view, this seems to be just as important as these investments.

The municipality officials emphasize their limited independence and capacities to activate BiH diaspora potential compared to other administrative levels. In particular, they emphasize challenges because of a lack of adequate distribution of resources, investments, and supply of public facilities. Still, they are determined to take more concrete actions – some of them present collaborative institutionalisation of relations with the diaspora, as well as with other state institutions.

Communication of municipality officials with the BiH diaspora also proceeds with a lot of difficulties, although we find evidence of two-sided communication. The examined municipalities report a need for a diaspora database to address the challenges in communication they are facing. Currently, most communication occurs at the individual level (based on individual requests from the BiH diaspora), more rarely at the collective level (organized communication involving groups). At the collective level, summer meetings, hometown associations and business forums dominate.

There are existing difficulties in establishing trust and mobilizing the diaspora at the municipal level. There are several examples of municipalities that institutionalized their relationship with the diaspora, whilst there are a number of municipalities that are still (2013) in the process of institutionalization – namely, the ten SDC-UNDP municipalities. Accordingly, there is some evidence in three “other” municipalities that involved its diaspora into creating plans and strategies for development through participation of their representatives. Apart from this effort, the majority of municipal officials do not present a clear vision on how to establish the relationship between the diaspora and development.

Municipality officials, like officials at other institutional levels, generally believe that the diaspora do not trust BiH institutions. Consequently, they highlight a need for improving institutional and societal trust. This is identified as an important factor for greater involvement of the BiH diaspora into development and it is certainly linked to the improved and transparent communication as well.

Examples of good practice have been identified by several municipalities; one of the biggest activities on the ground is the SDC-UNDP *Migration and Development* focused initiative. Irrespective of this project, the majority of municipalities are willing to proceed with further activities for greater diaspora engagement in development. The ten SDC-UNDP municipalities are in the process of institutionalizing their relationship with the diaspora, while only two of the others have taken similar steps. The majority of them, however, are still searching for a clear vision on how to establish and deepen the relationship between diaspora and

development. Currently (2013), there is no much difference between these two subsamples of municipalities, although the SDC-UNDP project is in its initial stage and the outcomes should be investigated with a certain time-lag.

The analysis of businesses is focused on (former diaspora) entrepreneurs in BiH, on the role of their migration experience, their current business performance as well as the business obstacles these entrepreneurs faced when returning to the country. The migration experience of interviewed entrepreneurs is primarily linked to the war (85%). The most commonly stated reason to return is emotional links and nostalgia (60%), often stated alongside other arguments like being pushed back by host countries, family reunification, or simple business opportunities. The business skills which these businessmen have gained abroad are very diverse, reflecting the type of employment carried out. These skills are regarded as the main benefit of the migration experience.

Ex-diaspora entrepreneurs (small and medium sized companies are dominant in the sample) do not identify present-day links with the current BiH diaspora as an important advantage in their current businesses and tend to remain more locally and domestically linked with the market and business environment. At the same time, different institutional and administrative barriers are identified as the most important obstacles for starting and later running a business. The entrepreneurs also explain that these hurdles are not related to their returnee situation but are general business barriers in BiH.

Despite the real or perceived barriers mentioned, the majority of interviewed entrepreneurs recommend investing in BiH. They stress normative aspects, and in their view the diaspora should have greater interest in BiH development, not only to make a profit, but also to make BiH a better place to live. These expectations that members of the diaspora should be more involved reflect the common perception that the BiH diaspora are still part of BiH society, irrespective of their residence abroad. At the same time, similar to the public officials, most interviewed businessmen emphasized the potential of the diaspora, without providing a fuller reflection, like concrete ideas who should do what. Interestingly, the same entrepreneurs who call for greater diaspora involvement also caution potential investors to be patient and to work with others who know local specificities.

Ex-diaspora entrepreneurs see their business success primarily as a result of their personal efforts, commitment, enthusiasm and experience, whilst some of them emphasize skills they gained during the period of emigration as well. Interestingly, they relied a lot on the support of family, friends and professional colleagues (i.e., strong network ties) in coping with different business barriers and challenges. The role of social ties (i.e. strong ties and networks based on close family and friends) is identified as an important determinant (i.e. support to overcoming different challenges and barriers) in entrepreneurial activities and, presumably, in dealing with local specificities. Social capital plays a great role in the success of businesses established by the interviewed entrepreneurs, but the role of financial capital should not be ignored.

The initial capital invested into businesses is highly correlated with later success (in terms of total revenue or the number of employees). Mostly, the initial capital was brought from abroad and invested in BiH, while the majority of entrepreneurs relied on typical financing (i.e. borrowing from banks in BiH) in expanding their businesses. There are two (successful) companies in the sample that received some financial support from the entity authorities, although the majority claim that they did not receive any support at all.

Similar to interviewed officials and business people, the vast majority of interviewed individuals (targeted 2013 survey) think that the diaspora could play an important role in the development of BiH, listing diaspora investment as the most important factor. Once again, an economic understanding of development comes to the fore. At the same time, few of the individuals surveyed had clear and concrete ideas on how the diaspora should help – the view of the diaspora as a fuzzy and largely intangible potential seems to be dominant, yet much hope is placed into them. For most respondents some of the more concrete diaspora-related activities are: the (social) contacts they have with members of the diaspora as well as the (financial) remittances they receive from members of their family and friends living abroad.



Like in the case of ex-diaspora entrepreneurs, for the majority of former migrants' social capital was central in the decision to return to BiH – rather than direct economic reasons. This is reflected in the high proportion of respondents citing family reasons and that they like living in BiH (including responses such as: strong personal ties to the family, being closer to the family, being closer to relatives, getting married, missing the country and living in BiH, having wanted to come back home), and a low proportion of respondents citing job opportunities in BiH.

Most households in BiH (around 50%) have a strong (social) connection to the diaspora, namely regular contacts, often as frequent as a few times a month. Around one fifth of households receive regular (financial) remittances (this percentage is larger for former migrants). Not surprisingly, most households use them for everyday consumption of goods and services (81%). A larger percentage of ex-migrants receive remittances compared to non-migrants.

Despite social reasons to return to BiH, and the nostalgia highlighted by some entrepreneurs in the previous section, an overwhelming percentage of the population consider leaving BiH in the future – hence, they constitute a potential that could be missing for development at some point. Only a rather small percentage has concrete plans (17%), but these figures still highlight that the very idea of emigration remains popular in BiH. This also implies that the attachment to BiH is somewhat ambivalent: economic, political, and social factors can yield contradictory pressures with unknown consequences for future development.

The highest aspirations to emigrate can be identified for the young (30% increased probability of wanting to emigrate in comparison to older); those with higher levels of education; those with low incomes; those who see the political situation as worsening; and those not employed.

In all examined models, age is the most significant factor for migration aspirations. *Young respondents who are neither highly educated nor employed or living in low-income families are the most likely to want to leave the country* (around 80% probability). This situation might indicate a 'young' human capital drain; a category of the workforce particularly relevant for the long-term development of BiH.

The final implication of the research is that the BiH diaspora's potential engagement in development is very endogenous – interlinked – to the internal economic, political, institutional and societal challenges. An improved economic and political environment, greater institutional efficiency and coordination, an improved societal trust, ... – are just recommendations that are beneficial to the general performance of BiH but also a stimulus for a greater engagement of diaspora in BiH.

## Recommendations

There is very strong evidence that state officials at different administrative levels in BiH, interviewed businessmen and individuals recognize the (economic and non-economic) potential of the diaspora as a contributor to development. However, there is a need to develop a better understanding and a clearer vision in BiH about how the diaspora and development should be connected. Particularly, some public officials seem to seek support in how they can tap into the potential the diaspora promises to be. Hence, diaspora and development is a concept welcomed by all examined sectors, while little is known (on average) how to make this connection operational, efficient and feasible.

While typical and the most visible financial supports (i.e. remittances, investment) of diaspora are regarded as a good way to support development, the study reveals a presence of social capital that is already established and built with the BiH diaspora. In addition, the role of human capital is identified as an essential aspect of development but this is also a side of development potential that remains underused. Apart financial contributions to development, the role of human and social capital of diaspora deserves more attention – among both, researchers and practitioners-policy makers.

Although there is a general institutional framework for potential diaspora participation in development, still there is a need to improve institutional capacities (organizational, legal and financial) for more active diaspora engagement in development. Currently, there is a lot of heterogeneity in the institutional environment, approaches, communication, capacities, policies, activities. In particular, there is need to improve institutional environment that will enhance a better institutional cooperation between different institutions, sectors and institutional/administrative levels working on diaspora and development issues.

It is necessary that institutions in BiH work more on building trust with the diaspora, and this goes hand in hand with better communication, transparency and exchange of developmental ideas. In addition, a better communication should stimulate cultural and other forms of social collaboration between the BiH diaspora and BiH institutions.

Public institutions at all levels should be more proactive in introducing the diaspora to local people through positive examples and practices in order to dislodge some existing stereotypes about the diaspora. A more active engagement of the local and diaspora media is an important factor in presenting and welcoming diaspora's role in development.

Ex-diaspora entrepreneurs emphasize the necessity of a greater involvement from government(s) in the regulation of administrative and institutional barriers that potential (diaspora) investors currently face in BiH. Simply, a more entrepreneur-friendly environment should be created by institutions. This implies that diaspora related policies and actions are very much linked to the internal problems in the country – anything that improves business environment is actually increasing incentives of diaspora engagement in development as well.

The BiH diaspora is still interested to invest in BiH, but firstly, in their local municipalities. And this should be an important starting point – there is a need to link particular projects (localities) to particular members of the diaspora. To achieve better involvement of diaspora entrepreneurs, there is a need to improve communication between entrepreneurs through various activities such as business forums, conferences, workshops, projects, as well as presenting the best examples on the ground.

Business networks of ex-diaspora SMEs tend to be developed locally, with little use of external (diaspora) network ties. There is a need to support local entrepreneurs engagement with external diaspora networks, which can be a key mechanism to support investment from a migrant's host country to BiH (either through direct portfolio investment or foreign direct investment), as well as to increase access to international finances. It is important to improve (institutional) mechanisms for exaggerating benefits of social networks and other forms of social capital for establishing transnational entrepreneurship.

If policymakers wish to reduce migration and potential loss of human capital in the medium to long-run, they should develop policies focused on keeping citizens in BiH. Currently, the policy priority is to support economic prosperity and political stability; hence, job creation, economic prosperity and better institutional efficiency, focusing in particular on younger generations. Although it is not a direct migration policy, indirectly it will be the best way to encourage ex-migrants and the local population to stay in BiH and be an active part of development.

There are more individuals that have social connections to the diaspora than financial connections (remittances), but these connections need to be activated more often to be beneficial for development in BiH. There is a need to create a better environment for facilitating the advantages of strong social networks and maximising the benefits of support received through various channels such as philanthropy and humanitarian work.

Only every fifth BiH migrant in EU countries keeps some savings in BiH although the BiH banking sector is one of the most developed in the region. The diaspora should be stimulated to keep some saving in the BiH banking sector. Some activities could include, for example, tailored saving accounts for diaspora, greater transparency and a strong marketing strategy.

It is already time to devote special attention to the young members of the BiH diaspora that might lose connection to the country; hence, the diaspora potential that is currently identified might diminish from year to year in the near future. How to keep younger diaspora generations linked to the country is certainly an important research task. In addition, this should be a vital focus of diaspora policy for relevant institutions in BiH.

In order to increase the interest of the diaspora in development activities in BiH, public policies should be established in such a way as to not only ask "what the diaspora can do for BiH" but also "what the BiH government(s)/institutions/others can do for diaspora (investors)", in terms of legislation, policies, procedures, building trust, and exchange of ideas and practices. In this way a two-sided communication will be fostered. There is a need to develop diaspora-specific policies that will facilitate investment in BiH, cultivate a sense of connection between BiH and diaspora, and encourage social-status recognition of diaspora investors in BiH. Diaspora investments, remittances, social capital and know-how activities should become a part of developmental policies in BiH – development agencies/actors and diaspora networks should be institutionally coordinated and be recognised as partners in BiH development.

We end this section by citing an entity official – the statement which in a few sentences elaborates a lot – a vision, a responsibility, a policy implication:

*We usually talk about the diaspora as somebody who has to give something to BiH. But, I think that BiH has to give something to its diaspora. There should be a two-sided communication, and that communication must be organized. The interests of both parties must be recognized and united. Our diaspora, I mean our people who have money, ideas and a vision – if you tell them what is the quickest and best way of investing in BiH – they will come.*



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## Appendix A

The Foreign Investment Promotion Agency (FIPA) is a state agency which promotes BiH as a location for foreign investment, strengthens the business climate, maintains current foreign investment and advocates FDI policy. They provide all information on the BiH business environment and offer services for investors. They are improving cooperation with the Ministry of Foreign Affairs and the diaspora on FDI promotion abroad. FIPA cooperates with the Council of Ministers, Entity governments, the Brcko District of BiH, Cantons and Municipalities, and other relevant organizations in BiH (FIPA, 2012).

In terms of institutional organization for the BiH diaspora, the World Diaspora Association of BiH (WDABiH) explains itself to be an umbrella organization for BiH diaspora. It was established in 2002 at the first BiH Diaspora Congress and has made connections with all major diaspora organizations throughout the world. Headquartered in Birmingham, UK, at the global level, WDABiH aims to be recognized as an independent non-government institution by the UN bodies. In addition, WDABiH is promoting the establishment of a Ministry of the BiH Diaspora as the main institution in BiH responsible for the BiH diaspora, but this seems to be a rather ambitious plan considering the current political establishment. The Sixth Congress of WDABiH was held in July 2012 in the Parliamentary Assembly BiH with help from MHHR. Participants of the Congress acknowledged that none of their previous requests had been accepted and implemented by institutions in BiH.

In November 2012 WDABiH organized a meeting in Germany, where they gathered members of this organization from various countries, representatives from BiH political institutions such as MHRRBiH, Parliament of FBiH and many others. They talked about the recent activities of the BiH diaspora and the familiarity of Bosnian citizens with these activities. One of the topics of this meeting was the relationship of the BiH government with the diaspora, and it was concluded that this should be improved and intensified.

They demand that the BiH authorities implement the activities they have adopted. They are striving for the legal regulation of native language training for the children of BiH natives abroad, the opening up of cultural and informational centres in countries with a large diaspora, the simplification of voting processes for BiH natives abroad, and the better organization of census (WDA, 2013).

The Bosnian-Herzegovinian American Academy of Arts and the Sciences (BHAAAS) claims to be "a voluntary non-profit, non-governmental, non-partisan, multi-ethnic and multi-cultural organization, whose purposes are exclusively educational, scientific and charitable". The Academy aims to provide connections between BiH scientists, artists and professionals in North America and to build bridges of cooperation with their homeland. It was established in North Carolina in 2007. They have 200 active members and since 2009 they have organised and participated in various activities and events in cooperation with MHRRBiH, Academy of Sciences and Arts of Bosnia and Herzegovina and universities and local authorities in BiH (BHAAAS, 2013).

NAUK is an association of BiH scientists, artists and prominent individuals in their professional fields, who live and work in the Netherlands. The purpose and aim of this organization is the expansion and development of science and art in the BiH diaspora residing in the Netherlands (NAUK, 2013).

APU Network engages academics, entrepreneurs, artists and cultural workers originating from BiH in order to create more jobs and better business opportunities and to promote entrepreneurship and BiH culture in Sweden (APU, 2013).

In September 2012 APU Network participated in the “Connexchange BiH” conference which was held in Tuzla. Besides the APU Network, a few BiH organizations, entrepreneurs, teachers and international organisations which operate in BiH also took part in the conference. “Connexchange” stands for connections and exchange so the administration of Stockholm, the employees of its Office for voluntary return and Social guide Centres exchanged and transferred knowledge with conference participants.

The last but not the least, it is worth mentioning that in 2009 the Party of the BiH Diaspora (SDBiH) was founded in BiH. SDBiH is registered in BiH and also in Sweden. In their Statute they claim that they aim to politically organize the BiH diaspora and to contribute to the development of BiH, primarily through European and global integration. SDBiH can hardly be considered as an influential party on the BiH political scene. SDBiH went practically unnoticed in the 2010 general elections and did not participate in the 2012 local elections. Among the other objectives they are making an effort to ensure the right to vote for returnees, internally displaced persons and refugees in all the places of their pre-war residence, and to protect voting rights for the BiH diaspora.

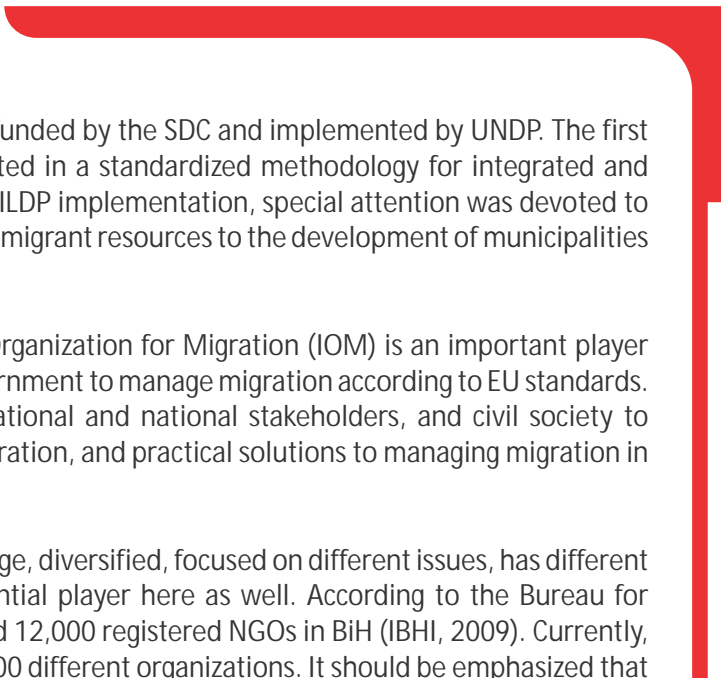

There are a good number of international organizations which directly and/or indirectly focus on the issues of the BiH diaspora.

The Office of the High Representative (OHR) is an international institution responsible for monitoring implementation of the civil aspects of the GFPA. The High Representative is cooperating with citizens, BiH institutions and the international community to help BiH on the way towards Euro-Atlantic integration. The mandate of the High Representative is set out in Annex 10 of the GFPA, prescribing the role of OHR as crucial for the GFPA. The Peace Implementation Council (PIC) and OHR are closely linked. PIC is a group of 55 countries and international organisations which sponsor the peace implementation and nominate the High Representative. The UN Security Council considers the nomination and decides further actions (OHR, 2013).

The World Bank (WB), together with the European Bank for Reconstruction and Development (EBRD) and the European Commission (EC) has supported post-war reconstruction and development in BiH. According to the World Bank Country Program Snapshot, over 20,000 public apartment units and about 2,000 private houses were repaired. They supported the reconstruction of 2,300 km of roads, 41 bridges, 3 tunnels and the reconstruction of the Sarajevo Airport. The WB helped create 200,000 jobs by managing two microfinance projects. Over the last 15 years the WB has financed 67 projects to the sum of approximately \$1.72 billion (WB, 2012).

The Delegation of the European Union to Bosnia and Herzegovina (formerly the Delegation of the European Commission) was established in 1996. In accordance with an EU Council decision of 2011, the authority and jurisdiction of the EU Special Representative (EUSR) and the Head of the European Union Delegation Office were delegated to Peter Sorensen. The EU Delegation in BiH is responsible for explaining and implementing EU policy, whilst promoting EU interests in relation to, amongst other things: foreign and security issues; commerce; transport; and health and safety policies. Through the Instrument for Pre-accession Assistance (IPA) they support reforms with financial and technical help, preparing BiH for the rights and obligations that come with EU membership.

United Nations Development Programme (UNDP) is the United Nations development network established in 1966, which transfers knowledge and experience to countries in which they operate. The UNDP also builds and fosters partnerships with other key development actors. Currently, they are carrying out their activities in 177 countries and territories. UNDP in BiH has been supported by UNDP's global framework since 1996. The major financial contributions to UNDP in BiH are provided by the Governments of the Netherlands, Norway, Spain, Japan and Switzerland, alongside the European Commission (UNDP, 2013).



The Integrated Local Development Project is funded by the SDC and implemented by UNDP. The first phase of the project was finalized in 2009 and resulted in a standardized methodology for integrated and participatory local development planning. During the ILDP implementation, special attention was devoted to strengthening inter-municipal cooperation and linking migrant resources to the development of municipalities with a larger number of migrants.

At the international level, the International Organization for Migration (IOM) is an important player which focuses on building the capacity of the BiH Government to manage migration according to EU standards. IOM in BiH aims to work with governments, international and national stakeholders, and civil society to promote migration management, international cooperation, and practical solutions to managing migration in the region (IOM, 2012).

Finally, the NGO community in BiH is rather large, diversified, focused on different issues, has different goals and policies, and can be recognized as a potential player here as well. According to the Bureau for Humanitarian Issues (IBHI), in 2008 there were around 12,000 registered NGOs in BiH (IBHI, 2009). Currently, there are 48 active NGO networks with more than 1,600 different organizations. It should be emphasized that the Union for Sustainable Return and Integrations in BiH is a member of the European Citizen Action Service (ECAS). The Union for Sustainable Return and Integrations in BiH was founded in 1993 as the Association of Refugees and Displaced Persons of BiH (ARDP), and in 2002 was registered under the current name. From 2002 they have provided services for employment and economic related issues, as well as the social integration of returnees (Union for Sustainable Return and Integrations in BiH, 2011).

Note, this list could be much longer, but for the reasons of space and focus of this research we end it here. We do apologise in advance to all of those which should be here but are not presented.

## Appendix B

	Institutional level	No.	Codes of state officials *	The position of state officials/the name of the institution
1	<i>BiH</i>	3	SN	The Ministry of Human Rights and Refugees, the Unit for Cooperation in the Areas of Economics, Education and Culture, Head of the Unit
			SN	Head of the Investor Support Department, FIPA
			SN	Head of the Department for Coordination - Department, Implementation of Social Inclusion, BiH Directorate for Economic Planning
	Entities			
2	<i>FBiH</i>	2	SE	Assistant Ministry, The Ministry of Resettled Population and Returnees FBiH
			SE	Assistant minister, The Ministry of Entrepreneurship and Development FBiH
3	<i>RS</i>	3	SE	Professor at the University Banja Luka, EX Officer of the Ministry of Refugees and Displaced People RS
			SE	Department of the Displaced People and Minorities, the City of Banja Luka
			SE	Head of Department for Macroeconomy and Development, The RS Chamber of Commerce
4	Brcko District	1	SE	Head of the Division for Economic Development, Brcko District
	Cantons			
5	<i>Usko-Sanski canton</i>	2	SC	Ministry of Economy, Usko-Sanski Canton
			SC	Advisor of the Minister of Economy, Usko-Sanski canton
6	<i>Posavski canton</i>	1	SC	Assistant minister, The Ministry of Health, Labour and Social Politics, Posavski Canton
7	<i>Tuzlanski canton</i>	2	SC	Assistant minister, The Ministry of Economy, Tuzlanski Canton
			SC	Assistant minister, The Ministry of Refugees and Resettled Population, Tuzlanski Canton
8	<i>Zenicko-Dobojski canton</i>	1	SC	Assistant minister, The Ministry of Economy, Zenicko-Dobojski Canton
9	<i>Bosansko-Podrinjski canton</i>	1	SC	Minister of the Economy, Bosansko-Podrinjski Canton
10	<i>Srednjobosanski canton</i>	1	SC	Advisor for the EU Integrations, Prime Ministries Office, Srednjobosanski Canton
11	<i>Herzegovacko-Neretvanski canton</i>	1	SC	Minister of the Economy, Herzegovacko-Neretvanski Canton
12	<i>Zapadnohercegovački canton</i>	1	SC	Assistant minister, The Ministry of SME and Development, Zapadnohercegovački Canton
13	<i>Canton Sarajevo</i>	1	SC	Assistant minister, The Ministry of Economy, Canton Sarajevo
14	<i>Canton number 10.</i>	1	SC	Assistant minister, The Ministry of Economy, Canton Number 10
	Municipalities			
15	Buzim (FBiH)	1	SL	The Mayor of Buzim, Buzim
16	Prijedor (RS)	2	SL	Head of the Department for Economy and Agriculture, Prijedor
			SL	Chief of the Department for Economy, Prijedor

Note, the following codes are used: SN – officials at the state level; SE – officials at the entity level; SC – officials at the cantonal levels; SL – officials at the municipality level.

## The list of interviewed municipality officials

	Municipalities	No.	Codes of municipal officials*	The position of municipality officials/the name of the institution
1	Velika Kladuša	3	SLU	Major
			SLU	Assistant to the Major for Social Services
			SLU	Assistant to the Major for industry, agriculture and development
2	Sanski Most	1	SLU	Major's Adviser
3	Klju	1	SLU	Head of the Department for Administrative Service
4	Prijedor	2	SLU	Head of the Department for Economy and Agriculture
			SLU	Head of the Department for Economy
5	Jajce	2	SLU	Assistant in the Department for Development
			SLU	Senior Advisor
6	Laktaši	2	SLU	Head of the Office for Economic Integration and Development
7	Posušje	1	SLU	Head of the Office for Development
8	Ljubuški		SLU	Assistant in the Department for Development – Coordinator for Cooperation with Diaspora
9	Maglaj	2	SLU	Assistant to the Major for Economy, Finance and Entrepreneurship
			SLU	Assistant to the Major for Administrative and Social Service
10	Nevesinje	1	SLU	Major
11	Tešanj	1	SL	Major
12	Novi Grad	1	SL	Major's Adviser
13	Prnjavor	1	SL	Coordinator of the Department for Diaspora and Minorities
14	Šamac	1	SL	Senior Assistant for the Local Development
15	Konjic	1	SL	Director of the Municipal Local Development Agency
16	Banja Luka	1	SL	Senior Assistant in the Department for Minorities and Returnees
17	Lopare	1	SL	Major
18	Zvornik	1	SL	Deputy of the Major
19	Vogošda	1	SL	Major
20	Srebrenica	1	SL	Community development

## Appendix C

One of the primary reasons for emigration (identified in the previous analysis) is a non-desirable economic environment. Unemployment is extensive: the official unemployment rate reached 44% in 2012 (DEP BiH, 2013), while the Labour Force Survey (which uses a more strict definition of unemployment) reports that in the same year the unemployment rate is around 28% (CBBiH, 2013). The youth unemployment is higher and some report that it can be around 60% (EUSR, 2014). No matter which indicator we take into consideration unemployment remains to be a serious macroeconomic problem. Accordingly, one of the most important proxies of economic performance at the individual level that we can control includes employment status (employed versus not employed, *D\_EMPLOY*). We believe that there is a (higher) probability that employed individuals, because of having a better economic status in the society, have smaller aspirations to leave the country in comparison to others (not employed, i.e., unemployed or out of the labour market<sup>29</sup>).

Next, we control the level of household income as a proxy for financial strength of the respondent's family (perception of the income level in comparison to BiH average). There are four income categories coded: income at the edge of existence (*D\_INCOMEexist*), below average (*D\_INCOMEexbel*), average (*D\_INCOMEav*), and above average (*D\_INCOMEexab*). We use these four categories because they fit the model better in comparison to a binary variable (i.e. low and high income). In the environment characterized with strong reliance on informal institutions (Efendic et al., 2011) and in particular on strong family ties (Efendic et al., 2014), we expect that the level of family income might be an important individual economic factor in our modelling. More precisely, we expect that respondents from low income families might report stronger aspirations to migrate abroad than those from high income families.

In recent decades, BiH has been characterized by political instability which might affect intentions to leave the country as well. Political instability might change perception of general stability and certainty, which in the end can affect migration aspirations. In order to capture the effect of political situation in BiH, we include responses on the perception of political situation (*D\_POLITICS*) seen as an improved or a worsened political situation. We expect that those respondents who perceive the political situation as „worse“ are more likely to have higher aspirations to migrate abroad than those with more optimistic views.

BiH is a multicultural country having one of the most “complicated” ethnic structures in Europe. This ethnic complexity is identified by a number of problems in the recent past, including the last Bosnian war (1992-1995), and controlling ethnic environment seems more than interesting for this analysis. Accordingly, we include two determinants which measure different ethnic dimensions. First, we control for the self-reported ethnicity of respondents being especially interested to see potential structural differences between the three dominant ethnicities (Bosniacs, Serbs, Croats; *D\_ETHNICITYb*; *D\_ETHNICITYs*; *D\_ETHNICITYc*) versus Others (Bosnians, Yugoslavians, ..., ; *D\_ETHNICITYo*). Second, in the context of BiH it is important to control for majority/minority status (*D\_MAJORITY*) within the country not least because particular ethnicities appear to be in some parts of the country a majority while in others a minority (Efendic et al., 2011). Accordingly, at the individual level, we can expect variations in migration aspirations depending on self-reported majority/minority statuses.

As it has already been pointed out in Chapter 1, BiH has experienced emigration of educated population. This suggests a need to control for the level of education (*D\_EDUCATION*) as a potential determinant of aspirations for migrating abroad. We expect that more educated individuals could have higher aspirations to migrate abroad than less educated (i.e., brain drain).

It may also be important to control for geographical factors (Sachs, 2003), including the type of area from which respondents are coming (i.e. urban versus rural, *D\_URBAN*) as well as different (18) regions in the country (*R\_region\_No*) used in sampling.

<sup>29</sup> Note, we cannot distinguish between unemployed and those who are out of the labour market since the variable that we are using has only these two codes: employed or working and unemployed or not working.



It is standard practice in empirical research to control for individual characteristics of respondents, which in our case include gender (male *versus* female respondents;  $D\_GENDER$ ) and age (young *versus* old;  $D\_AGE$ ). It will be of particular importance to investigate the effect of aging on aspirations for migration abroad, since in our descriptive statistics we have already identified difference between young and older respondents.

Finally, we are using the pooled data which raises the problem of potential different distributions of the data in different time periods. An appropriate remedy for this potential statistical problem is to enable the intercept to differ across the different annual surveys (Wooldridge, 2006). Therefore, we include time dummies in the final specification.

We will investigate in our robustness analysis two more potentially important influences in the model. Firstly, linked to the ethnic tensions' problems, we believe that it would be important to control if respondents had some bad/unpleasant experiences because of their ethnic background over the last year ( $D\_NATTENSEXP$ )<sup>30</sup>. The Bosnian war (1992-1995) was the period when a multiethnic BiH went through a radical change from ethnically quite tolerant to quite intolerant in just a few years (Dyrstad, 2012) and almost two decades after the Bosnian war, the country remains highly segregated along ethnic lines (Bieber, 2006). All of this might affect ethnic tensions within the country; consequently, individual aspirations to leave the country.

Secondly, since the Bosnian war induced a huge internal and external migration of population, which in the end might affect aspirations to move abroad as well, we will control the migration status of families (domicile families *versus* other – i.e., internal and external migration families;  $D\_MIGRAT$ )<sup>31</sup>. We expect that individuals who moved from their homes, home cities, entities, might have stronger aspirations to move abroad than individuals that did not move during or after the war period (also supported by findings of the previous chapter).

In the model to be estimated, the following probit specification (Equation 1) is used:

$$\begin{aligned}
 P(D\_OUTOFBH = 1) = & L(\hat{b}_0 + \hat{b}_1 \times D\_EMPLOY + \hat{b}_2 \times D\_EDUCATION + \\
 & + \hat{b}_3 \times D\_AGE + \hat{b}_4 \times D\_INCOME_{exist} + \hat{b}_5 \times D\_INCOME_{exbd} + \hat{b}_6 \times D\_INCOME_{exab} + \\
 & + \hat{b}_7 \times D\_POLITICS + \hat{b}_8 \times D\_MAJORITY + \hat{b}_9 \times D\_URBAN + \hat{b}_{10} \times D\_GENDER + \\
 & + \hat{b}_{11-13} \times D\_ETHNICITY_{bc} + \hat{b}_{14-20} \times S2004toS2010 + \hat{b}_{21-37} \times R\_region\_2toR\_region\_18 + \hat{\epsilon})
 \end{aligned}$$

where the variables are explained in the table below,  $P$  refers to probit estimation, signifies a function of the independent variables,  $\hat{b}$  (0-37) are coefficients to be estimated, and  $\hat{\epsilon}$  is the usual model error term.

Missing values and “do not know” answers are an endemic problem of survey data. However, the average incidence of missing values per variable is less than one per cent at which simple omission is regarded as unlikely to lead to substantial bias. In addition, we apply the same principle to withheld responses (do not know/wish to answer), even though these are not necessarily missing at random. In our specification, the biggest number of “do not know” responses is identified for perception of political situation (10.8%), the dependent variable – aspirations for migration abroad (7.2%), and estimates of family income (2.3%). Being cautious about these responses, especially in the case of the dependent variable, we will conduct an additional robustness check by controlling these responses.

The second challenge to valid estimation is to take account of survey design. The survey design for this sample is the following: the whole of BiH was stratified into 18 regions (12 covering the Federation BiH, 5 the RS and one the Brcko District of BiH); then individuals were sampled within each stratum (region). Following

<sup>30</sup> Note, including this variable in the model reduces significantly the number of observations to around 24,000.  
<sup>31</sup> If this variable is included in the base-line model, we operate with around 19,000 observations. Moreover, if included together with  $D\_NATTENSEXP$ , the sample drops to only 12,000.

Efendic et al. (2014a) we do not apply Finite Population Correction (FPC) for two reasons: there is no accurate population count for individual regions. In addition, a main disadvantage of controlling simple design is that it makes no allowance for possible clustering effects in the data, which in our case seems to be important to take into account. Consequently, in estimating our model we:

- a) do not use the stratification, but instead
- b) include a full set of regional dummies, with Biha as the omitted category, and
- c) report cluster-robust standard errors at the level of the municipalities.

This estimation strategy minimises the possibility of omitted variables related to location and adopts a conservative approach to inference. Finally, descriptive statistics for the variables used in the final model are reported in the table below.

Variables	Explanation of dummy variables (do not know/wish to answer responses excluded)	Number of observations	Mean
<i>D_OUTOFBH</i>	Aspirations for migration abroad: 1 = yes; 0=no	47,404	0.45
<i>D_EMPLOY</i>	Employment status: 1=employed; 0=not employed	54,036	0.67
<i>D_EDUCATION</i>	Education: 1 = secondary/high; 0=no education/primary	48,982	0.72
<i>D_AGE</i>	Age of respondents: 1=young (18-35); 0=older (36 more)	54279	0.34
<i>D_INCOMEexist</i>	Household income level: 1=edge of existence; 0=other	45,700	0.13
<i>D_INCOMEexbel</i>	Household income level: 1=below average; 0=other	45,700	0.36
<i>D_INCOMEexav</i>	Household income level: 1=average; 0=other	45,700	0.44
<i>D_INCOMEexab</i>	Household income level: 1=above average; 0=other	45,700	0.07
<i>D_POLITICS</i>	Perception of political situation: 1=bad; 0=good	48,465	0.58
<i>D_MAJORITY</i>	Ethnic status: 1=majority; 0=minority	54,386	0.79
<i>D_URBAN</i>	Survey area: 1=urban; 0=rural	54,387	0.47
<i>D_GENDER</i>	Gender of respondents: 1=male; 0=female	54,388	0.18
<i>S2002</i>	Surveys conducted in 2002: 1=yes; 0=no	54,388	0.15
<i>S2003</i>	Surveys conducted in 2003: 1=yes; 0=no	54,388	0.13
<i>S2004</i>	Surveys conducted in 2004: 1=yes; 0=no	54,388	0.11
<i>S2005</i>	Surveys conducted in 2005: 1=yes; 0=no	54,388	0.12
<i>S2006</i>	Surveys conducted in 2006: 1=yes; 0=no	54,388	0.09
<i>S2007</i>	Surveys conducted in 2007: 1=yes; 0=no	54,388	0.17
<i>S2009</i>	Surveys conducted in 2009: 1=yes; 0=no	54,388	0.03
<i>S2010</i>	Surveys conducted in 2010: 1=yes; 0=no	54,388	0.02
<i>R_region_1</i>	Surveyed region: 1=Bihac; 0=other	54,388	0.05
<i>R_region_2</i>	Surveyed region: 1=Orasje; 0=other	54,388	0.04
<i>R_region_3</i>	Surveyed region: 1=Tuzla; 0=other	54,388	0.09
<i>R_region_4</i>	Surveyed region: 1=Zenica; 0=other	54,388	0.07
<i>R_region_5</i>	Surveyed region: 1=Gorazde; 0=other	54,388	0.01
<i>R_region_6</i>	Surveyed region: 1=Tavnik-bos; 0=other	54,388	0.03
<i>R_region_7</i>	Surveyed region: 1=Mostar-bos; 0=other	54,388	0.02
<i>R_region_8</i>	Surveyed region: 1=Siroki Brijeg; 0=other	54,388	0.05
<i>R_region_9</i>	Surveyed region: 1=Sarajevo; 0=other	54,388	0.07
<i>R_region_10</i>	Surveyed region: 1=Livno; 0=other	54,388	0.05
<i>R_region_11</i>	Surveyed region: 1=Banja Luka; 0=other	54,388	0.13
<i>R_region_12</i>	Surveyed region: 1=Doboj; 0=other	54,388	0.06
<i>R_region_13</i>	Surveyed region: 1=Bijeljina; 0=other	54,388	0.05
<i>R_region_14</i>	Surveyed region: 1=Pale; 0=other	54,388	0.05
<i>R_region_15</i>	Surveyed region: 1=Trebinje; 0=other	54,388	0.03
<i>R_region_16</i>	Surveyed region: 1=Travnik-hr; 0=other	54,388	0.08
<i>R_region_17</i>	Surveyed region: 1=Mostar-hr; 0=other	54,388	0.09
<i>R_region_18</i>	Surveyed region: 1=District Brcko; 0=other	54,388	0.03
<i>D_ETHNICITYb</i>	Ethnic self-identification: 1=Bosnjak; 0=other	53,942	0.41
<i>D_ETHNICITYs</i>	Ethnic self-identification: 1=Serb; 0=other	53,942	0.31
<i>D_ETHNICITc</i>	Ethnic self-identification: 1=Croat; 0=other	53,942	0.26
<i>D_ETHNICITY</i>	Ethnic self-identification: 1=other nationality; 0=other	53,942	0.01
<i>D_MIGRAT</i>	Household status: 1=migration; 0=domicile	31,333	0.38
<i>D_NATTENSEXP</i>	Personal experience of ethnic tensions: 1=yes; 0=no	42,704	0.04

Source: Authors' calculations using STATA 12 (STATA 12, StataCorp, Texas, USA).

The difference between the numbers of observations for particular variables is linked to two reasons. Firstly, these variables are coded by excluding “do not know” answers, which is explained earlier. More these responses reduce the sample differently for different variables (previous section identifies variables with the biggest percentages of these observations). Secondly, in some surveys all of the variables were not included, namely: *D\_OUTOFBH* in survey 33 (2008); *D\_EDUCATION* in surveys 9 (2002); 13, 14 (2003); and income *D\_INCOMExxx* variables in surveys 32, 33, 34, 35 (all surveys in 2008)<sup>32</sup>. This problem is exogenous and we cannot do much about it but to inform the reader that we are effectively losing 2008 in our empirical modelling, including quarterly surveys as listed for variable *D\_EDUCATION*. Accordingly, in the final empirical modelling we are losing around 14,000 observations leaving the sample to be around 45,000 observations. After excluding missing and do not know answers, our effective sample is around 33,600 observations, substantially smaller, but still big enough for our modelling strategy.

Specification of the probit model (Equation 1) enables us to test whether economic, political, ethnic, geographic and individual determinants might explain aspirations for migration from BiH. The table below reports the obtained results.

#### Base-line model after probit estimates

The dependent variables are <i>D_OUTOFBH</i> =1 (There is aspiration for migration abroad)					
Variable	Explanation of the variables	Coeff.	Std. error	z-stat.	P> z
<i>D_EMPLOY</i>	Employment status: 1=employed; 0=unemployed or out of the labour market	-0.09	0.02	-4.29	0.000
<i>D_EDUCATION</i>	Education: 1 = secondary/high; 0=no education/primary	0.47	0.02	19.91	0.000
<i>D_AGE</i>	Age: 1=young (18-35); 0=older (36 more)	0.78	0.03	31.17	0.000
<i>D_INCOMExist</i>	Household income level: 1=edge of existence; 0=other	0.36	0.03	11.07	0.000
<i>D_INCOMExbel</i>	Household income level: 1=below average; 0=other	0.16	0.02	6.92	0.000
<i>D_INCOMExab</i>	Household income level: 1=above average; 0=other	-0.18	0.03	-5.89	0.000
<i>D_POLITICS</i>	Perception of political situation: 1=worse; 0=better	0.20	0.02	9.78	0.000
<i>D_MAJORITY</i>	Ethnic status: 1=majority; 0=minority	0.07	0.03	2.15	0.032
<i>D_URBAN</i>	Survey area: 1=urban; 0=rural	-0.01	0.02	-0.27	0.785
<i>D_GENDER</i>	Gender of respondents: 1=male; 0=female	-0.01	0.01	-0.16	0.876
<i>D_ETHNICITYb</i>	Ethnic self-identification: 1=Bosniaks; 0=other	-0.13	0.07	-1.88	0.060
<i>D_ETHNICITYs</i>	Ethnic self-identification: 1=Serbs; 0=other	-0.10	0.09	-1.20	0.231
<i>D_ETHNICITc</i>	Ethnic self-identification: 1=Croats; 0=other	-0.22	0.09	-2.50	0.012
<i>S2003</i>	Surveys conducted in 2003: 1=yes; 0=no; 2002 base	-0.01	0.03	-0.16	0.871
<i>S2004</i>	Surveys conducted in 2004: 1=yes; 0=no; 2002 base	-0.11	0.03	-3.38	0.001
<i>S2005</i>	Surveys conducted in 2005: 1=yes; 0=no; 2002 base	0.04	0.04	0.86	0.390
<i>S2006</i>	Surveys conducted in 2006: 1=yes; 0=no; 2002 base	0.11	0.05	2.30	0.016
<i>S2007</i>	Surveys conducted in 2007: 1=yes; 0=no; 2002 base	0.04	0.04	0.83	0.405
<i>S2009</i>	Surveys conducted in 2009: 1=yes; 0=no; 2002 base	-0.01	0.07	-0.01	0.991
<i>S2010</i>	Surveys conducted in 2010: 1=yes; 0=no; 2002 base	0.03	0.05	0.49	0.623
<i>CONS</i>	The constant term	-0.71	0.08	-8.57	0.000
Note, region dummies are not reported because of the space.					
MODEL DIAGNOSTICS					
Number of observations		33,591			
Wald test		Chi2(37) = 3,791; Prob>chi2=0.000			
Pseudo R <sup>2</sup>		0.11			
Hosmer-Lemeshow statistics (HL), Number of groups=10		chi2(8) = 9.57; Prob > chi2 = 0.30			
Note, dy/dx is for discrete change of dummy variable from 0 to 1.					
POSTESTIMATION STATISTICS: We start examining statistical diagnostics with testing joint significance of the independent variables by conducting the Wald and Likelihood ratio tests. The both tests reject the null hypothesis at the highest level of significance (p=0.000) that the explanatory variables included in the model are jointly equal to zero. Moreover, according to the general theory of the Maximum Likelihood Estimation (MLE) for random samples, the MLE estimator is heteroskedasticity robust, consistent, asymptotically normal, and efficient (Wooldridge, 2002; 2006). As a test for model specification we rely on the Hosmer-Lemeshow (HL) test that is approximately X <sup>2</sup> distributed if the model is correct, i.e., if it fits well. The HL test does not reject the null hypothesis at any conventional level of significance that the model does fit well (p=0.33). Accordingly, we can conclude that the estimated model has acceptable specification and diagnostics.					
Source: Author's calculations using STATA 12 (STATA 12, StataCorp, Texas, USA).					

<sup>32</sup>Note, these are observations per surveys: 9 (2002)=1946 observations; 13 (2003)=1,509; 14 (2003)=1,847; 32(2008)=1,577; 33(2008)=3,000; 34(2008)=3,076; 35(2008)=1,541.

Specification of the probit model (Equation 1) enables us to test whether economic, political, ethnic, geographic and individual determinants might explain aspirations for migration from BiH. The table below reports the obtained results. The most useful information from such models we obtain by looking at the marginal effects.

Marginal effects from the base model

The dependent variables are $D\_OUTOFBH=1$ (There is aspiration for migration abroad)					
Variable	Explanation of the variables	dy/dx	Stand. error	z-statics	$P >  z $
$D\_EMPLOY$	Employment status: 1=employed; 0=not employed	-0.03	0.01	-4.29	0.000
$D\_EDUCATION$	Education: 1 = secondary/high; 0=no education/primary	0.18	0.01	20.83	0.000
$D\_AGE$	Age: 1=young (18-35); 0=older (36 more)	0.30	0.01	32.90	0.000
$D\_INCOMEexist$	Household income level: 1=edge of existence; 0=other	0.14	0.01	11.22	0.000
$D\_INCOMEexbel$	Household income level: 1=below average; 0=other	0.06	0.01	6.92	0.000
$D\_INCOMEexab$	Household income level: 1=above average; 0=other	-0.07	0.01	-5.99	0.000
$D\_POLITICS$	Perception of political situation: 1=bad; 0=good	0.08	0.01	9.83	0.000
$D\_MAJORITY$	Ethnic status: 1=majority; 0=minority	0.03	0.01	2.15	0.031
$D\_URBAN$	Survey area: 1=urban; 0=rural	-0.01	0.01	-0.27	0.785
$D\_GENDER$	Gender of respondents: 1=male; 0=female	-0.01	0.01	-0.16	0.876
$D\_ETHNICITYb$	Ethnic self-identification: 1=Bosnjak; 0=other	-0.05	0.03	-1.88	0.060
$D\_ETHNICITYs$	Ethnic self-identification: 1=Serb; 0=other	-0.04	0.03	-1.20	0.230
$D\_ETHNICITc$	Ethnic self-identification: 1=Croat; 0=other	-0.09	0.03	-2.54	0.011
$S2003$	Surveys conducted in 2003: 1=yes; 0=no; 2002 base	-0.01	0.01	-0.16	0.871
$S2004$	Surveys conducted in 2004: 1=yes; 0=no; 2002 base	-0.04	0.01	-3.40	0.001
$S2005$	Surveys conducted in 2005: 1=yes; 0=no; 2002 base	0.01	0.02	0.86	0.390
$S2006$	Surveys conducted in 2006: 1=yes; 0=no; 2002 base	0.04	0.02	2.30	0.022
$S2007$	Surveys conducted in 2007: 1=yes; 0=no; 2002 base	0.01	0.02	0.83	0.406
$S2009$	Surveys conducted in 2009: 1=yes; 0=no; 2002 base	-0.01	0.03	-0.01	0.991
$S2010$	Surveys conducted in 2010: 1=yes; 0=no; 2002 base	0.01	0.02	0.49	0.624
Note, region dummies are not reported because of the space.					
Note, dy/dx is for discrete change of dummy variable from 0 to 1.					
Source: Author's calculations using STATA 12 (STATA 12, StataCorp, Texas, USA).					

## Appendix D

FIRM ID	ENTITY	SECTOR	TOWN
1.	FBIH	SERVICE	GORAŽDE
2.	FBIH	SERVICE	GORAŽDE
3.	RS	AGRICULTURE	SREBRENICA
4.	FBIH	INDUSTRY	ZAVIDOVICI
5.	FBIH	TRADE	TEŠANJ
6.	RS	AGRICULTURE	BANJA LUKA
7.	RS	TRADE	KOTOR VAROŠ
8.	RS	TRADE	GRADIŠKA
9.	RS	SERVICE	GRADIŠKA
10.	RS	TRADE	GRADIŠKA
11.	RS	SERVICE	GRADIŠKA
12.	FBIH	SERVICE	JAJCE
13.	FBIH	SERVICE	JAJCE
14.	RS	FOOD IND.	CELINAC
15.	FBIH	TRADE	ILIDZA
16.	RS	SERVICE	BANJA LUKA
17.	FBIH	SERVICE	SARAJEVO
18.	FBIH	MORTGAGES	SARAJEVO
19.	RS	FOOD IND.	ZEPA
20.	RS	SERVICE	TESLIC
21.	FBIH	SERVICE	ZAVIDOVICI
22.	RS	SERVICE	BANJA LUKA
23.	RS	SERVICE	BANJA LUKA

## MHRRBiH ACTIVITIES



First Business Forum of BiH Diaspora - BiHdiaFOR, Prijedor, August 2013  
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102



Second Business Forum of BiH Diaspora - BiHdiaFOR, Sarajevo, August 2014  
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Second international research workshop on migration and development  
*Organized by MHRR, with SDC and UNDP support, Sarajevo, Parliamentary Assembly of Bosnia and Herzegovina, November 2014, copyright owner: MHRR*



Working group – education in the area of migration and development within a wider MHRR/SDC/UNDP  
Mainstreaming Migration into Development in BiH Project, Sarajevo, November 2014  
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104

Days of Bosnian and Herzegovinian – American Academy of Arts and Science – BHAAAS, Mostar, the University of Mostar, April 2013  
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7th meeting within BiH Switzerland, and Liechtenstein Dialogue on Migration Partnership  
 Vaduz, Liechtenstein, March 2014  
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Second meeting of BiH Diaspora Youth, August 2014, the Parliamentary Assembly of Bosnia and Herzegovina Sarajevo, August 2014 (organized by NGO Youth Centre for Social Education, Sarajevo, under the auspices of MHRR); copyright owner: NGO Youth Centre for Social Education, MHRR is authorized by the copyright owner to use this photo



International workshop on intellectual emigration Organized by EC TAIEX, MHRR BiH (Sector for Diaspora), MARRI and RACVIAC, Sarajevo, September 2013 (copyright owner: MHRR)

# MHRRBiH - Publications

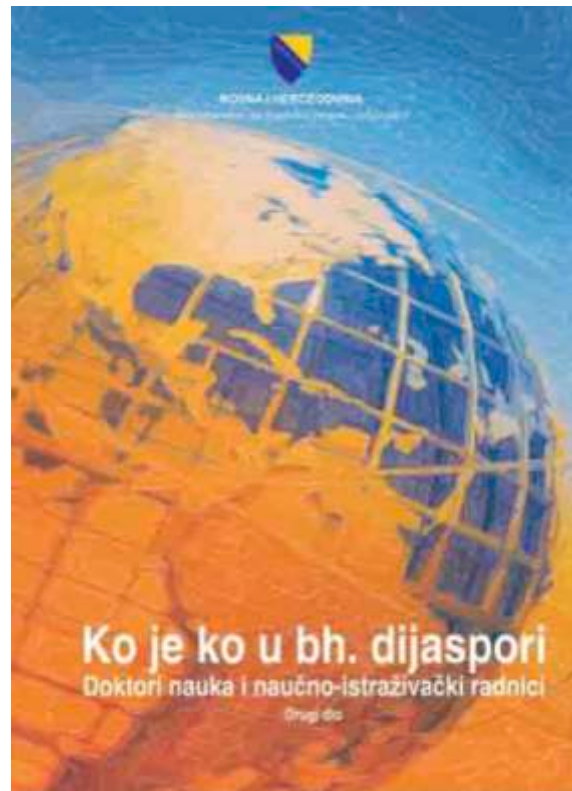
MHRR BiH – Publications (all available in pdf format at MHRR web site <http://mhrr.gov.ba> – Iseljenišvo):



Address Book of Organizations, Associations and Clubs from BiH in Diaspora



Business Directory of BiH Diaspora



Who is Who in BiH Diaspora: PhD Holders and Researchers (Part II)



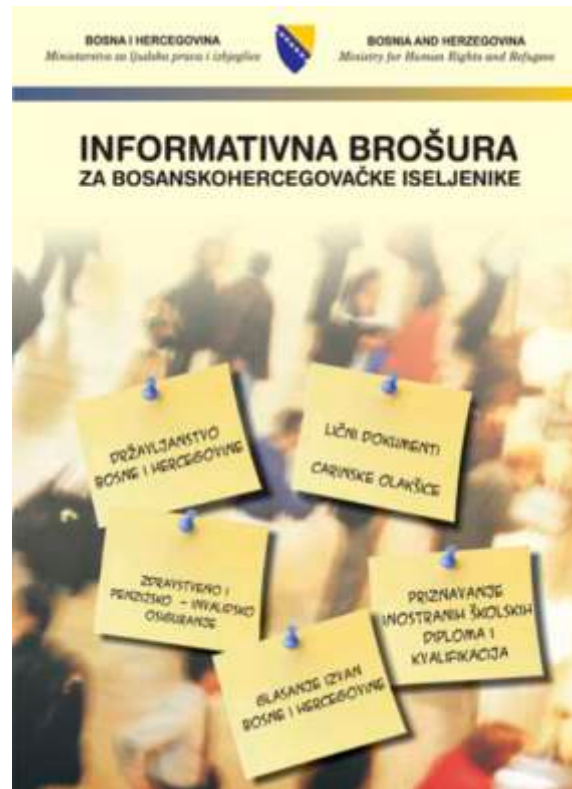
Analysis of BiH Diaspora Situation, MHRR, April 2014



Who is Who in BiH Diaspora: Writers



Who is Who in BiH Diaspora: PhD Holders and Researchers (Part I)



Information Booklet for BiH Diaspora Members



Institutions of BiH have prepared independently annual migration profiles of Bosnia and Herzegovina since 2009. MHRR has regularly prepared BiH Migration Profile's chapter on emigration, including remittances inflow.

