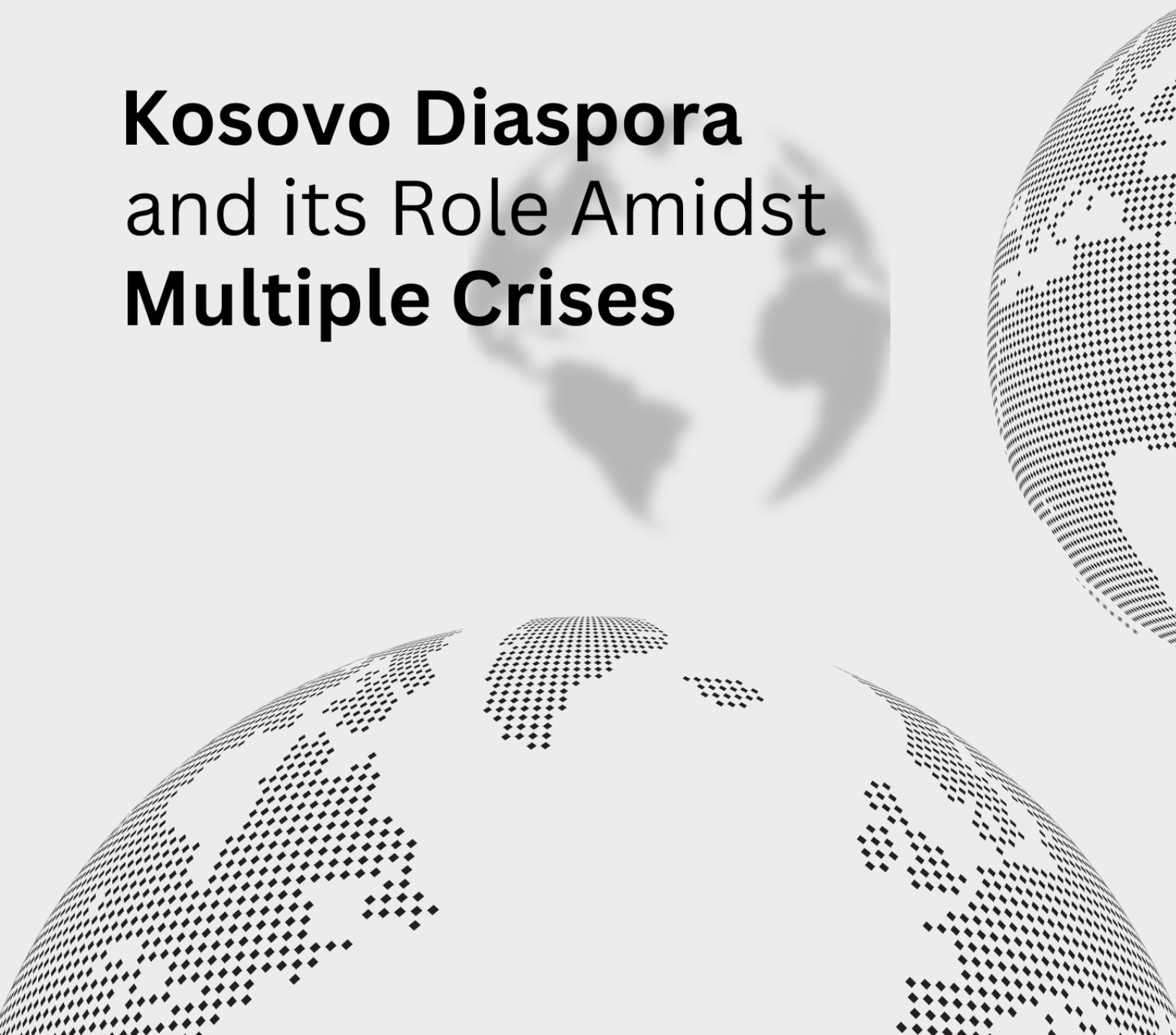




Kosovo Diaspora and its Role Amidst Multiple Crises



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Research Report

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Executive Summary

The purpose of this study was to gather impressions from diaspora remittance senders and remittance receivers in Kosovo¹ about the potential impact of the war in Ukraine and the economic inflation on the amount of remittances, thus, focusing on cash flows from the diaspora. The survey was conducted with a total of 198 remittance senders living in different countries and 117 remittance receivers in Kosovo. The survey was administered in two rounds, between September 5 - 30, 2022 and November 4-16, 2022, to collect the data of interest.

Results show that for more than half of the remittance senders in the sample, the amount of remittances sent to Kosovo has increased in the last 6 to 12 months (2021/22), mainly due to a change in living costs or financial situation/income of family members/relatives. Such findings correspond with the events during the past year, as consumer spending increased after the pandemic. Although many of the remittance senders believe the amount of money transfers to remain the same during the upcoming 6-12 months (46 percent), around 38 percent expect the monetary amount of the remittances to increase compared to 16 percent who expect a decline. The financial situation of the receiving end, or the sender's economy (if they expect a decline) are the reasons. The majority of respondents believe that the war in Ukraine is affecting inflation and that high inflation rates will impact the amount of remittances they send to Kosovo. Among remittance receivers, 60 percent believe the amount of remittances will remain the same in the next 6 to 12 months, although such funds might be impacted by changes in living costs or the financial situation of remittance senders and their families. This goes in hand with 85% also believing that inflation will affect the amount of remittances they receive. Thus, a potential mismatch can be seen between the senders and the receiving end and their outlooks, which might affect families in Kosovo.

The following recommendations emerge from the study. First, the senders think there is a need to reduce the cost of transfers as it would make the quicker and safer methods (e.g., bank transfers, online/offline money transfer operators) more accessible. Thus, close cooperation between central and financial institutions to lower the costs related to transfers is necessary. Second, viable and clear investment opportunities should be created for the diaspora as most remittances are currently being used for consumption. Through enhanced investment opportunities, the diaspora could support job creation, increased productivity, and economic growth. New financial mechanisms

¹ References to Kosovo shall be understood to be in the context of United Nations Security Council resolution 1244 (1999).

such as the diaspora bond should be set up and the focus should not only be Kosovo-wide but also at the local level and the municipalities. Third, there is a need to increase “know-how” and skill transfer from diaspora professionals. Many of the senders who participated in the study had a university degree, their own businesses, and skills that could present a valuable contribution. Platforms need to be established to increase skill transfer through different programs that would encourage diaspora members to contribute. Fourth, measures to mitigate the potential decrease in remittances has to be studied. Although the participants in the study are quite highly educated, a significant number of respondents have low incomes and expect a fluctuating future with regards to remittances. Social assistance schemes or other institutional measures to cushion the economic impact of the crisis should be used for targeted support.

Background

The several crises over the last couple of years, starting with the COVID pandemic that turned into a socio-economic crisis, and later, the war in Ukraine, have disrupted the global economy. The crisis stemming from the war in Ukraine has severely affected important supply chains, contributing to the increasing prices of goods and services which is reflected in rising inflation rates. Eurostat estimates show that the annual inflation rate in the euro area in December 2022 was 9.2 percent.² The highest contribution to this inflation rate comes from energy (25.7 percent) followed by food, alcohol, and tobacco (13.8 percent) and non-energy industrial goods (6.4 percent). In the United States, the inflation rate reached 9.1 percent in June 2022, the highest since 1981, although it has recently slowed to 6.5 percent in December 2022.³ Before 2021 and the Ukraine crisis, the annual inflation rates within the EU and the United States were stable at around 2 percent. The weakening purchasing power is expected to influence the global economy significantly and will certainly have a heavy impact on low-income households.

Given the high economic interconnectivity of the Western Balkans with advanced economies in the European Union (EU), a consequential increase in prices and a slowdown in economic growth can be expected in Kosovo. The Central Bank of Kosovo (CBK) estimates that the inflation level has risen from 0.1 percent at the end of 2020 to 11.6 percent in November 2022.⁴ Food and non-alcoholic beverages increased by around 18 percent in November (year-on-year to 2021), followed by prices of housing, water, electricity, gas and other fuels (13.5 percent).⁵ The CBK projects a decreased economic growth in 2022 at 3.3 percent, down from 10 percent in 2021, although most of the growth of the previous year was post-pandemic revival.⁶ The outlook for economic growth in Kosovo remains uncertain in the face of high energy, oil and food prices. Most importantly, the impact of rising inflation rates on Kosovo's sizeable diaspora and remittance flows remains a downside risk. In 2021, the sum of the remittances, tourism, and real estate investments realized by the diaspora amounted to a staggering 39 percent of the total GDP⁷, highlighting the importance

² <https://ec.europa.eu/eurostat/documents/2995521/15725146/2-06012023-AP-EN.pdf/885ac2bb-b676-0f0d-b8b1-dc78f2b34735>

³ <https://tradingeconomics.com/united-states/inflation-cpi>

⁴ Central Bank of the Republic of Kosovo, Monthly Statistics Bulletin, No. 254, December 2022, p.16

⁵ Ibid., p.86

⁶ Central Bank of the Republic of Kosovo, Quarterly Assessment of the Economy, No.37, Q IV/2021, p.7-8

⁷ Ibid., p.7

for the economy. To investigate one of the parts, this study focuses on remittance flows by surveying diaspora remittance senders and receivers.

Remittances, defined as: “*interpersonal, international financial transfers between migrants and their families and civil society organizations in countries of origin*”⁸ reached USD 442 billion globally in 2020, most of which go to developing countries.⁹ Remittances constitute the largest financial inflow in the economy of Kosovo, representing around 18 percent of Kosovo’s GDP in 2021.¹⁰ The latest statistics from the CBK show that during the third quarter of 2022, the remittance inflows amounted to EUR 349.1 million, around 14 percent higher than in 2021 (third quarter).¹¹ Most remittances come from the Kosovo diaspora living in Germany (41.2 percent), followed by Switzerland (20.2 percent), United States (9.1 percent), Austria (5.6 percent), Italy (5 percent), and France (4 percent).¹² According to a study by the Kosovo Agency of Statistics, over 43 percent of families in Kosovo have relatives living outside of Kosovo, and over 22 percent of them receive remittances during the year.¹³ Nevertheless, one major problem with remittances is that they are mainly used for consumption. Another recent survey conducted by GERMIN shows that of those receiving remittances (respondents could pick several categories), the main categories of spending were for food and clothing (84 percent of the cases), health care (62 percent of cases), buying property¹⁴ (46 percent of the cases), and only in 17 percent of the cases, respondents claimed to use remittances for opening new businesses. This is a mismatch with what the senders would preferably see the remittances used for with for example 36% preferring the funds to be used to open new businesses, and 33% for educational purposes.¹⁵ By conclusion, financial inflows swiftly leave Kosovo, as most consumer goods are imported, and thus, while remittances play a role in reducing poverty in Kosovo, they have failed to generate employment and contribute to sustainable economic development.

⁸ Stephen Gelb et.al., “Diaspora finance for development: from remittances to investment”, European Commission, JRC Technical Report, Luxembourg: Publications Office of the European Union, 2021, p.6

⁹ <https://data.worldbank.org/indicator/BX.TRF.PWKR.CD>

¹⁰ <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=XK>

¹¹ Central Bank of the Republic of Kosovo, Monthly Statistics Bulletin, April 2022, No. 248, p.96

¹² Central Bank of Kosovo: Statistics’ Report: <https://bqk-kos.org/statistikat/rreth-statistikave/>

¹³ <https://ask.rks-gov.net/media/1712/remittance-2013.pdf>

¹⁴ Important to note the difference in enabling family members in Kosovo to purchase property as is the case here and diaspora investing in owning their own property in Kosovo.

¹⁵ Remitancat në Kosovë: Shuma të mëdha, diskutim i vogel, GERMIN, 2022

Generally, remittances have been stable or even increased during times of crisis.¹⁶ However, the rapid rise of the inflation rate directly affects the purchasing power of both remittance receivers and senders. Another GERMIN study reveals that around 85 percent of the responding remittance senders declared that the financial situation of their families, friends, or relatives would worsen if they stopped sending remittances.¹⁷ A troubling sign as lower levels of remittances combined with high inflation rates and a potential economic stagnation could reverse the economic progress that has so far been achieved in Kosovo.

Study objective

Considering that remittances from abroad constitute a considerable share of financial inflows in Kosovo and with the current economic context, this study gathers information and overall impressions from diaspora remittance senders and remittance receivers about the future of remittance flows. The study focuses solely on remittance flows, private financial means sent by the diaspora to (most often) family members rather than diaspora-led investment, which includes portfolio investment, savings, real estate, businesses, or another type of investment.

Methodology

The research instrument was a structured closed-ended questionnaire conducted through an online platform, which took approximately 7 minutes to complete with around 27 questions for each target group.

The survey gathered basic demographic information about the population of interest, including patterns and methods of money transfers, challenges, and opportunities for sending remittances, the importance of transfers for households in Kosovo and future potential changes in remittance sending patterns based on market conditions. Most importantly, the questionnaire gathered information about the opinions of Kosovo inhabitants and diaspora members about the potential impact of the war in Ukraine and inflation rates on remittance flows.

The survey included filter questions for both target groups to identify the population of interest, including diaspora members that send remittances and recipients of remittances in Kosovo. Other

¹⁶ Ibid.

¹⁷ Remitancat në Kosovë: Shuma të mëdha, diskutim i vogel, GERMIN, 2022

respondents that visited the survey link but responded that they did not receive remittances/or send remittances abroad in the last 6 to 12 months were not considered as an eligible target population.

Sample Design

The target populations for this study were (1) the diaspora members who send remittances to Kosovo, and (2) people in Kosovo that have been recipients of remittances, at least during the last year (2021/22). To capture the population of interest, GERMIN used the pool of diaspora members from its database to distribute the online questionnaires to a geographically scattered group. The survey was promoted continuously through social media, emails, newsletters, and other online methods and gathered answers from a total of 198 remittance senders and 117 remittance receivers.

Data Collection

The questionnaire was coded in an online platform. After testing the survey with around 25 respondents, needed changes to the formulation of the questions were completed based on the feedback received. Pilot answers were cleared out before initiating the survey dissemination.

The number of questions and time to complete the survey was considered to ensure the accuracy of responses and the delivery of insightful information. The survey was administered online in two rounds: from September 5-30, 2022, and from November 4-16, 2022, to address the issue of non-response and challenges in reaching the desired sample. The challenges and limitations of the study are discussed in the last part of the methodology.

Quality Control and Data Cleaning

For online surveys, the drawback usually comes from poor quality responses, which might affect the validity of the study's findings. The quality control was conducted by 'flagging' responses that required data cleaning to ensure there were no problems. The quality control of the questionnaire was administered by the end of every business day to follow up on potential issues.

After the finalization of data collection, data cleaning was conducted for the following reasons: poorly formulated responses which came due to speedy responses, irrelevant responses that did not match the questions asked, mistakes in answering correctly, and missing data. This process ensured the accuracy of the findings and, most importantly, that the survey was reaching the relevant target group.

Limitations to the study

When considering the findings from this study, it is important to point out several challenges and limitations. Online surveys usually reach a specific population which is a convenience rather than a random sample.

The online implementation of the survey presents a self-selection bias which limits the generalizations of results that instead becomes indicative. This means that this survey could potentially only reach a subgroup of the population of interest. It should also be noted that the sample here is not representative of the population of interest, especially when it comes to the level of education. For example, more than half of remittance receivers in the sample have a bachelor's degree, thus not fully capturing the sentiments of people with lower levels of education who receive remittances.

Second, the survey topic might have discouraged individuals without confidence from expressing their opinions about the economic and political situation across the world and potential spill overs.

Third, the survey asked for personal information regarding contact, income, and frequency of money transfers. Consequently, this limits the sample size and the reached target population due to privacy concerns. In order to address this issue, GERMIN changed the required compliance of contact information by email in the questionnaire and re-distributed the questionnaire online for a second round from November 4 to 16, 2022.

Keeping these limitations in mind, the section below presents the survey findings from both groups separately, remittance senders and remittance recipients in Kosovo.

Survey Findings

Survey with remittance senders

Demographic information

The survey with remittance senders was completed by 198 respondents. The first part of the survey asked demographic questions to gain insights about the profile of the target population. The questionnaire was completed by a slightly higher share of men (59 percent) compared to women (41 percent). Around 40 percent of respondents were 26-35 years old, followed by 25 percent of respondents being 36-45 years old, and 17 percent reported to be 18 to 25 years old.

Figure 1. Gender

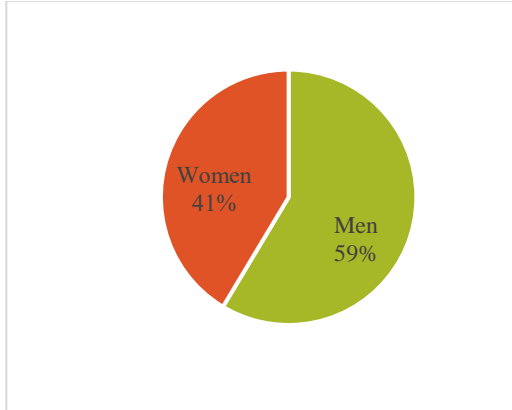
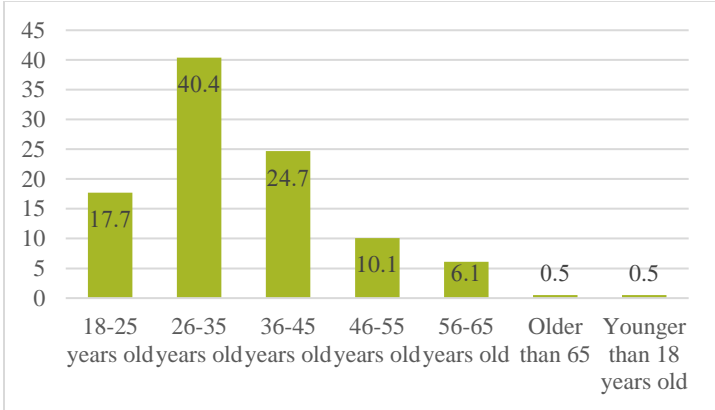
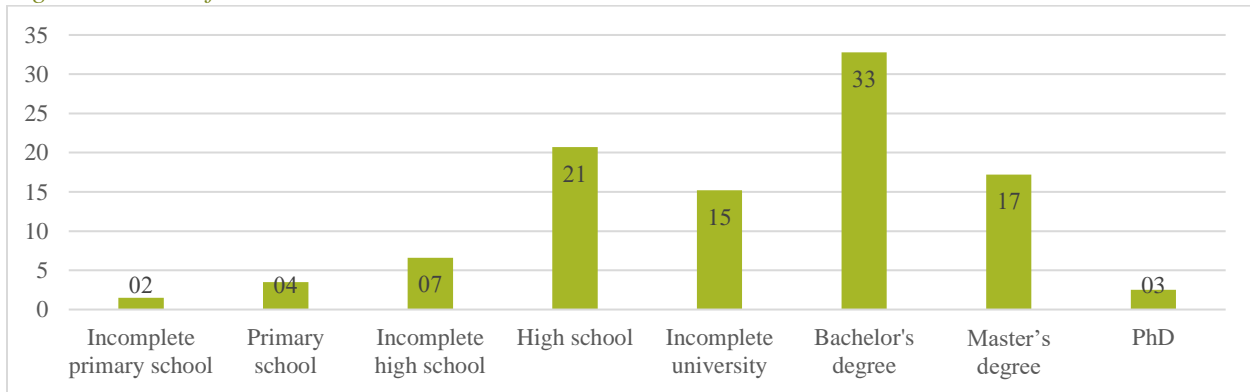


Figure 2. Age group



The study found that 33 percent of the remittance senders had a Bachelor’s degree, followed by 21 percent who had only completed high school. The sample is composed of about 17 percent of respondents with a Master's degree, along with 15 percent of respondents with an incomplete university degree. Only around 2 percent of remittance senders have completed a PhD.

Figure 3. Level of education



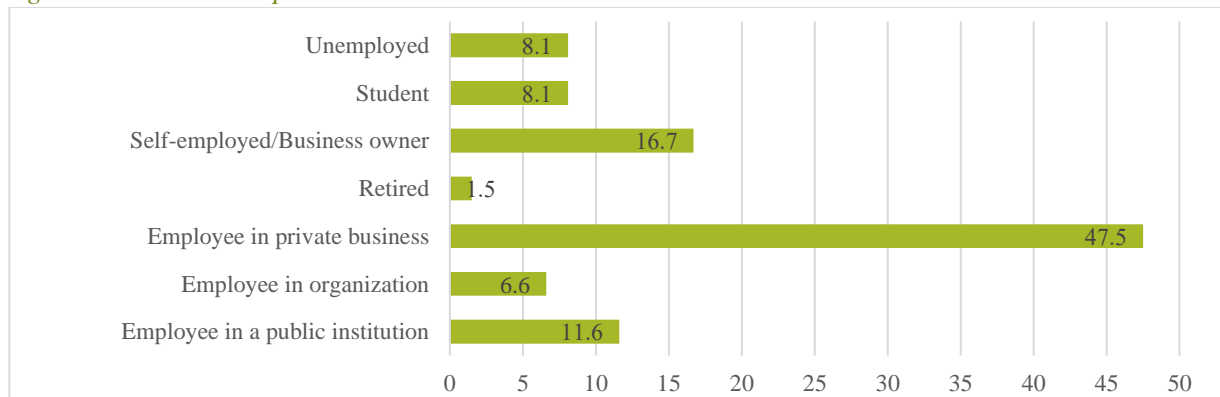
Among the remittance senders in this sample, the majority (69 percent) live with 2-4 family members, while 16 percent live with 5-7 family members. Around 14 percent of the sample reported living alone.

Figure 4. Household characteristics



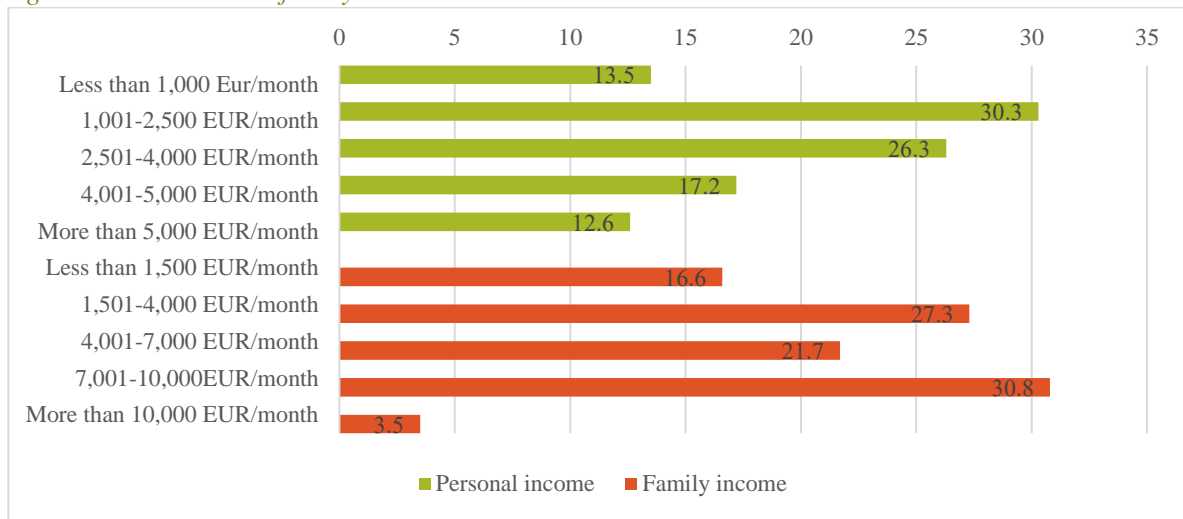
Most of the remittance senders in the sample are employees in private businesses (48 percent), followed by 17 percent who are self-employed or who own a business, 12 percent are employees in public institutions and around 7 percent work for different non-governmental organizations. Around 8 percent of the respondents claimed not to be employed at present, and the same percentage are students.

Figure 5. Current occupation



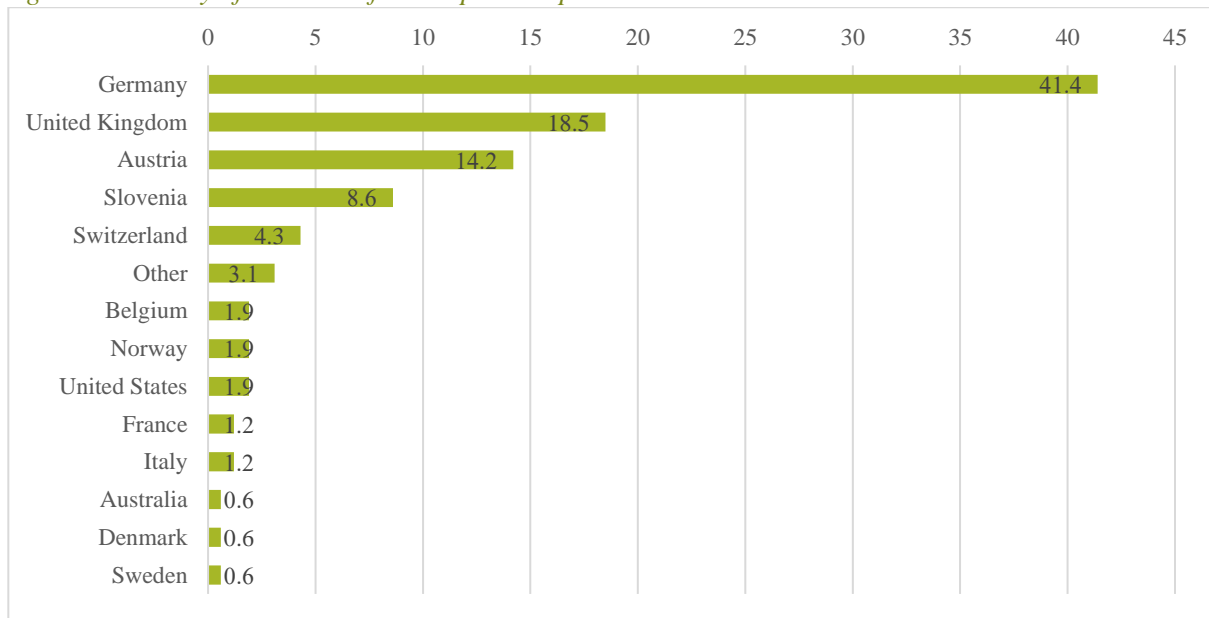
Looking at personal income, around 30 percent of remittance senders reported to earn from 1,001 to 2,500 EUR/month, followed by 26 percent who are in the 2,501-4,000 EUR/month and 17 percent of respondents who are in the 4,001-5,000 EUR/month bracket. Around 14 percent of respondents from this group reported to earn more than 5,000 EUR/month. When asked about family income, around a third of the sample reported having family income above 7,001 EUR/month. Around 27 percent of the respondents claimed to have family income of 1,501-4,000 EUR/month. Interestingly, around 17 percent earn less than 1,500 EUR/month and still send remittances.

Figure 6. Personal and family income



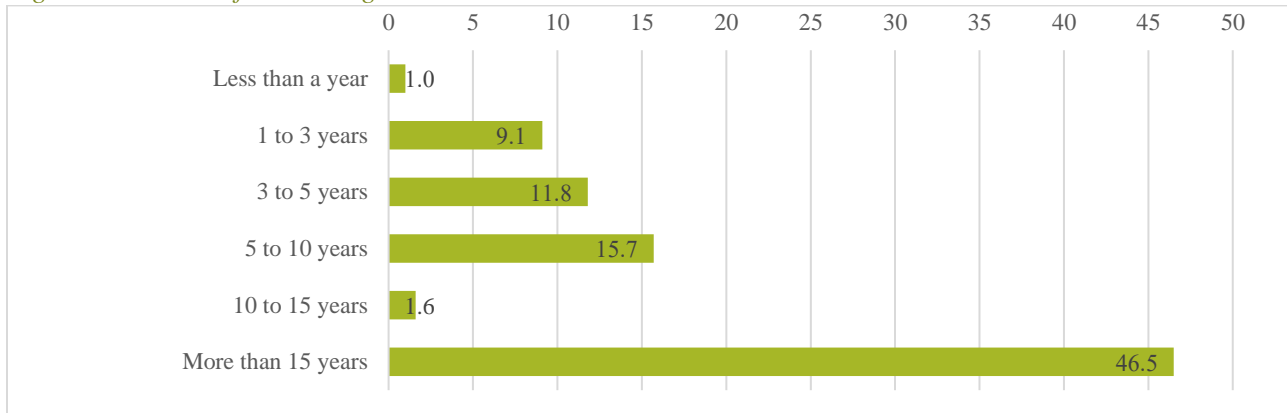
Around 40 percent of the sample of remittance senders who completed this survey reported to reside in Germany, followed by 20 percent living in the United Kingdom, and 14 percent living in Austria. A smaller share of respondents live in Slovenia, Switzerland, Belgium and other countries.

Figure 7. Country of residence for diaspora respondents



Most of the remittance senders in the sample have been living abroad for more than 15 years (around 47 percent), followed by 16 percent who have been diaspora members for a period of 5 to 10 years, and diaspora that has been living abroad for 3-5 years (12 percent).

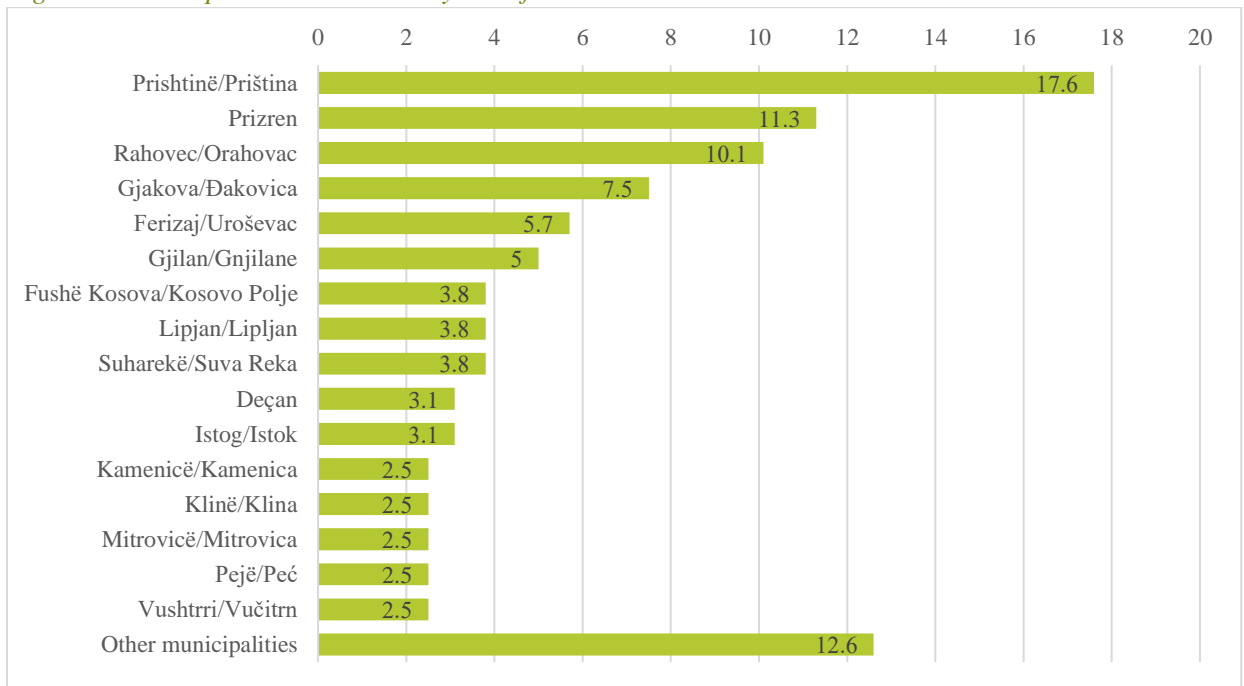
Figure 8. Amount of time living outside Kosovo



Remittances: Channels of transfers

Remittances play an important role for households in Kosovo. Around a fourth of the respondents claimed they send remittances to the municipality of Prishtinë/Priština (18 percent), followed by Prizren (11 percent), and Rahovec/Orahovac (11 percent), whereas a smaller share reported sending remittances to other municipalities.

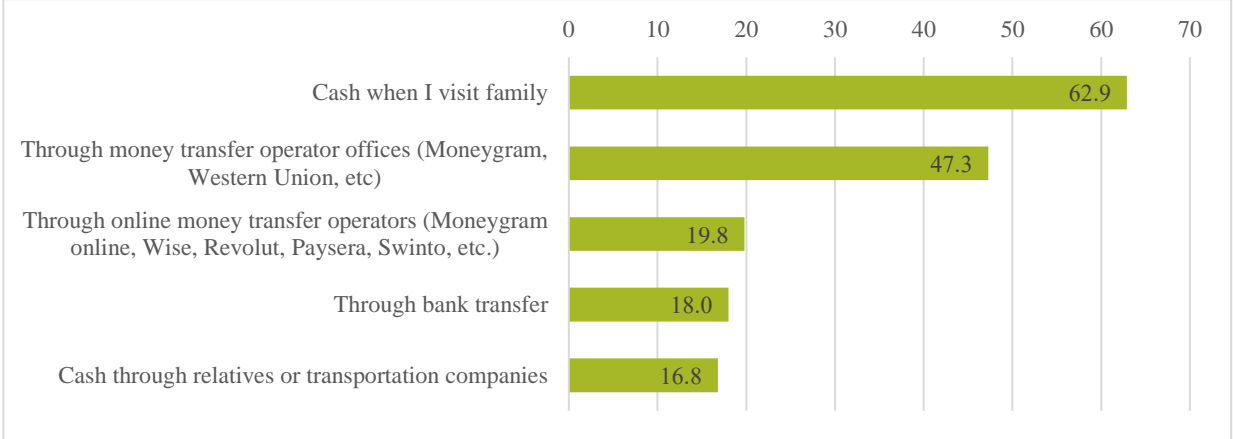
Figure 9. Municipalities where money transfer are sent



The most popular methods of money transfers for remittance senders in the sample was cash when visiting family (63 percent), followed by transfers through money operator offices such as

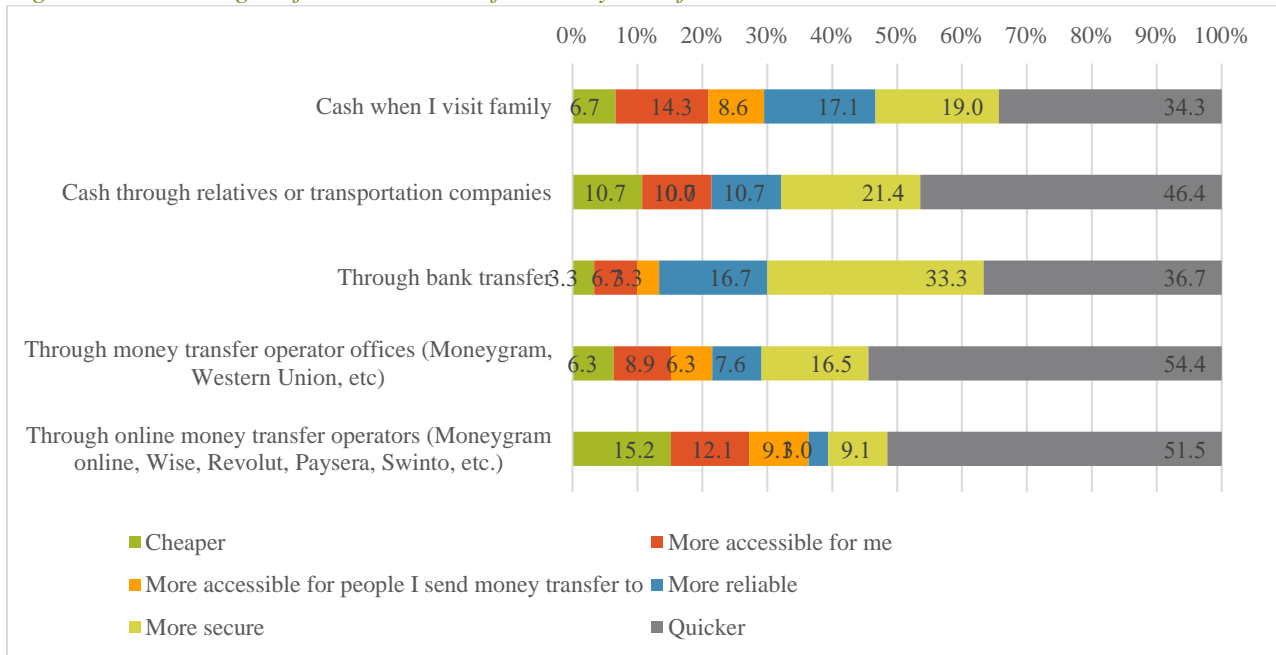
Moneygram, Western Union and others (47 percent). Online money transfer operators and bank transfers were less likely to be chosen in around 20 and 18 percent of the cases, respectively.

Figure 10. Main channel you used for sending remittances



When asked about the advantages of the selected methods used for money transfers to Kosovo, results show that remittance senders value time and secure methods. Disaggregating the responses from the question above, with the question asking for the advantages of chosen money transfer options, results show that more than a third of the respondents who answered that they send cash transfers when visiting family, claimed that they choose this method because they consider it quicker (34 percent) and more secure (19 percent). Similar results are found when looking at the share of respondents who send remittances in cash through relatives or transportation companies. Around 33 percent of the respondents who send money through bank transfers consider it more secure, whereas 54 percent of respondents who send remittances through money transfer operator offices (Moneygram, Western Union, etc.) choose this channel because they consider it a quicker method.

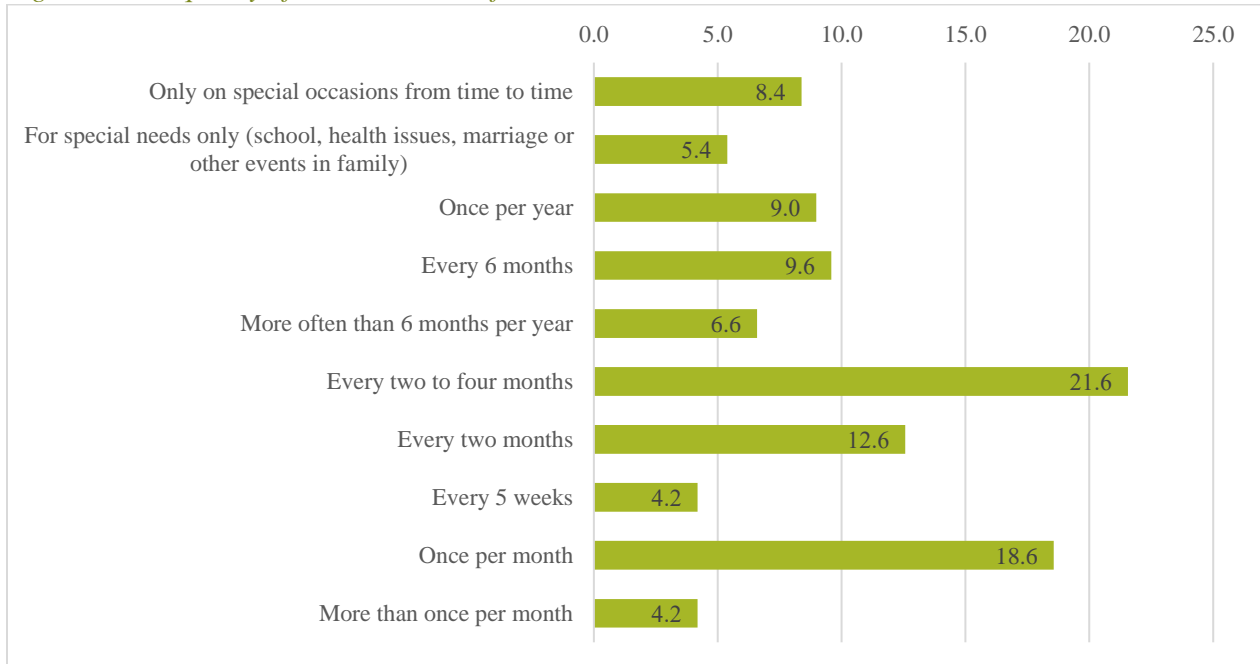
Figure 11. Advantages of chosen method for money transfers



Remittances: Frequency and usage

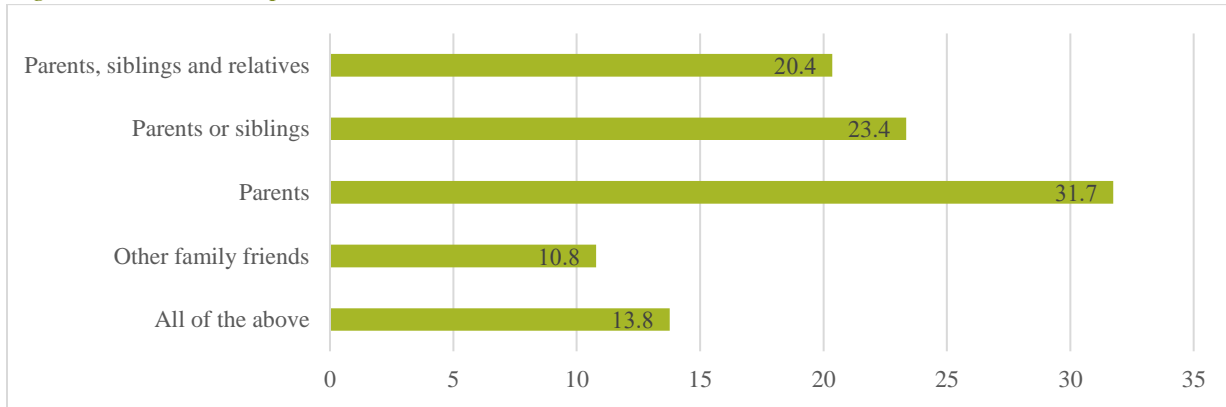
Around 22 percent of the respondents reported that they send remittances to Kosovo every two to four months, followed by 19 percent who send remittances once a month and by 13 percent who send remittances every two months.

Figure 12. Frequency of remittance transfers



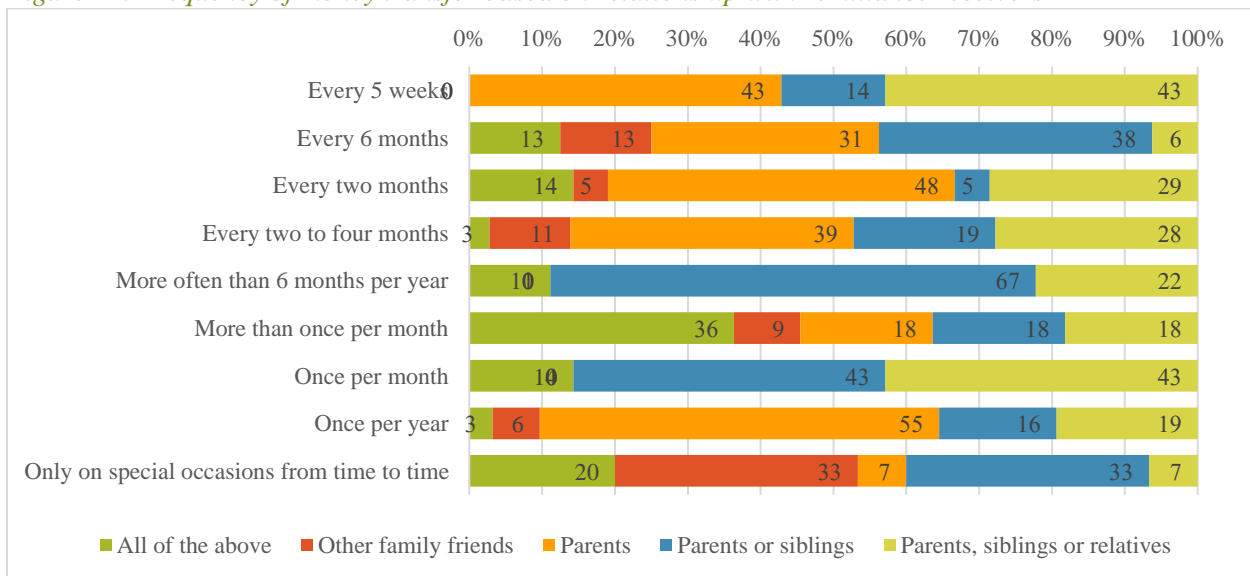
In most cases, diaspora members send money transfers to parents (32 percent), parents or siblings (23 percent), parents, siblings, or relatives (20 percent), or other family friends (11 percent).

Figure 13. Relationship with remittance receivers



Disaggregating the data from the question above with frequency of sending remittances, results show that the most frequent money transfers selected, that is every five weeks, is usually for remittances sent to parents (43 percent of the respondents), followed by parents, siblings or relatives (43 percent). On the other side of the spectrum, respondents claimed that they send remittances to other family friends once per year or only on special occasions.

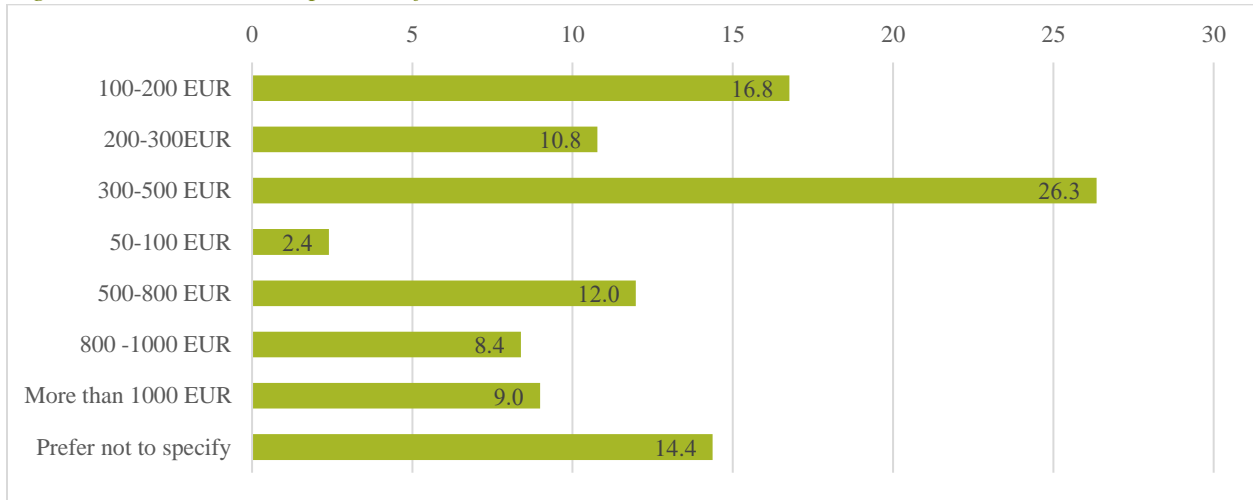
Figure 14. Frequency of money transfer based on relationship with remittance receivers



Although around 14 percent of the respondents chose not to disclose the amount of money transfer, 26 percent claimed to send 301-500 EUR in per transfer, followed by 17 percent who send 100-

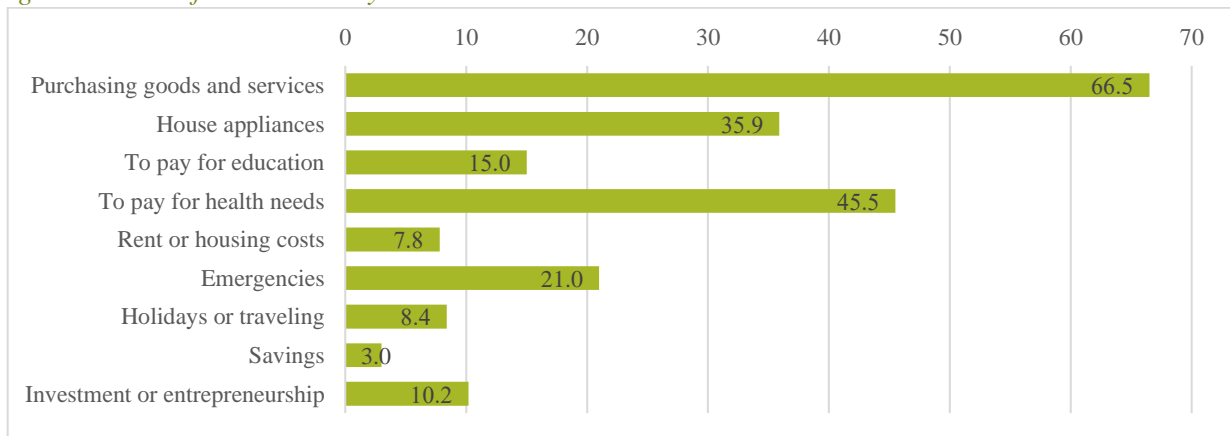
200 EUR and a smaller share of respondents who send 201-300 EUR in remittances (11 percent). Around 9 percent of remittance senders in the sample reported sending more than 1,000 EUR in remittances to Kosovo.

Figure 15. Usual amount per transfer sent in remittances



In most cases, remittance senders from this survey claimed that the usage of funds transferred is for their families/relatives to purchase goods and services (66 percent), followed by payments for health needs (46 percent), purchasing house appliances (36 percent), emergencies (21 percent), to pay for education (15 percent) and investment/entrepreneurship (10 percent). In less than 10 percent of cases, respondents reported the remittances sent back home to be used for savings or rent and housing costs.

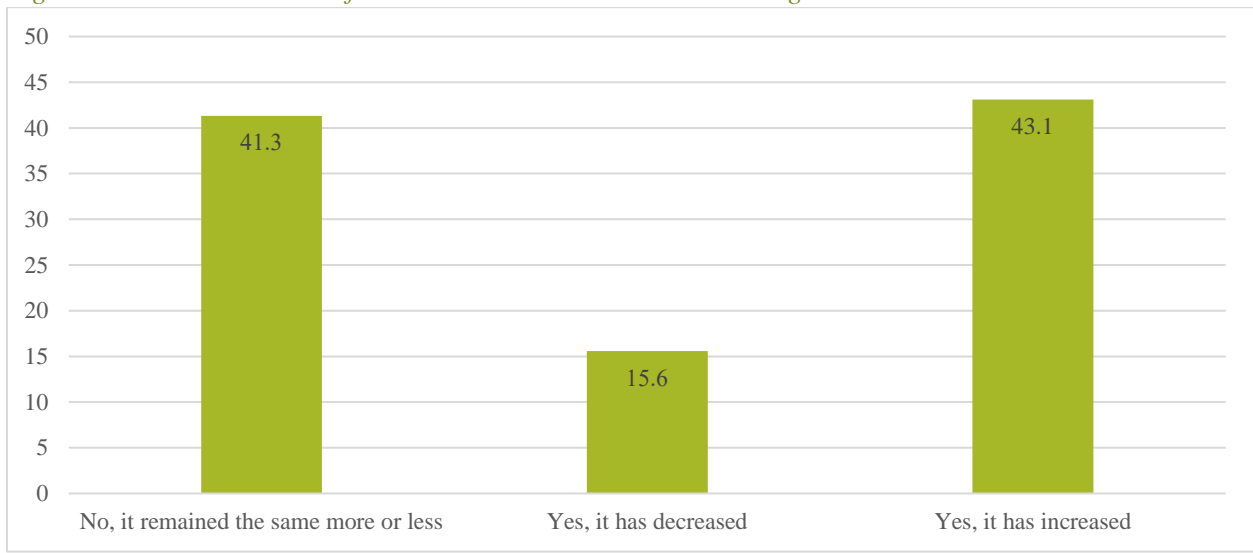
Figure 16: Use of remittances by the receiver



Remittances: Patterns of transfers and future expectations

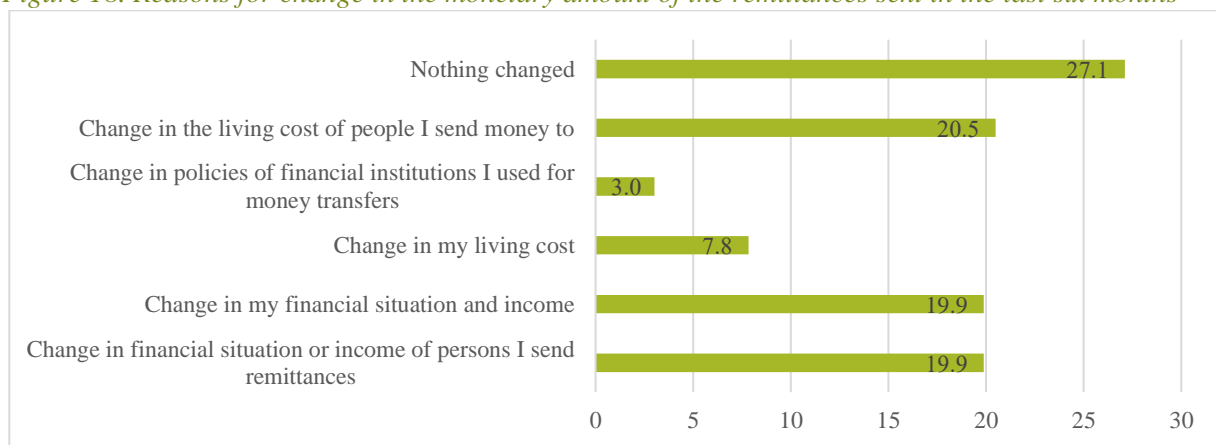
When asked if the monetary amount of the remittances being sent has changed in the last six months, 43 percent of respondents said that amount has increased opposed to 41 percent of those who declared that amount remained the same. In contrast, around 16 percent of respondents claimed that the amount of the remittances sent has decreased in the last six months.

Figure 17: Has the amount of the remittances sent to Kosovo changed in the last six months?



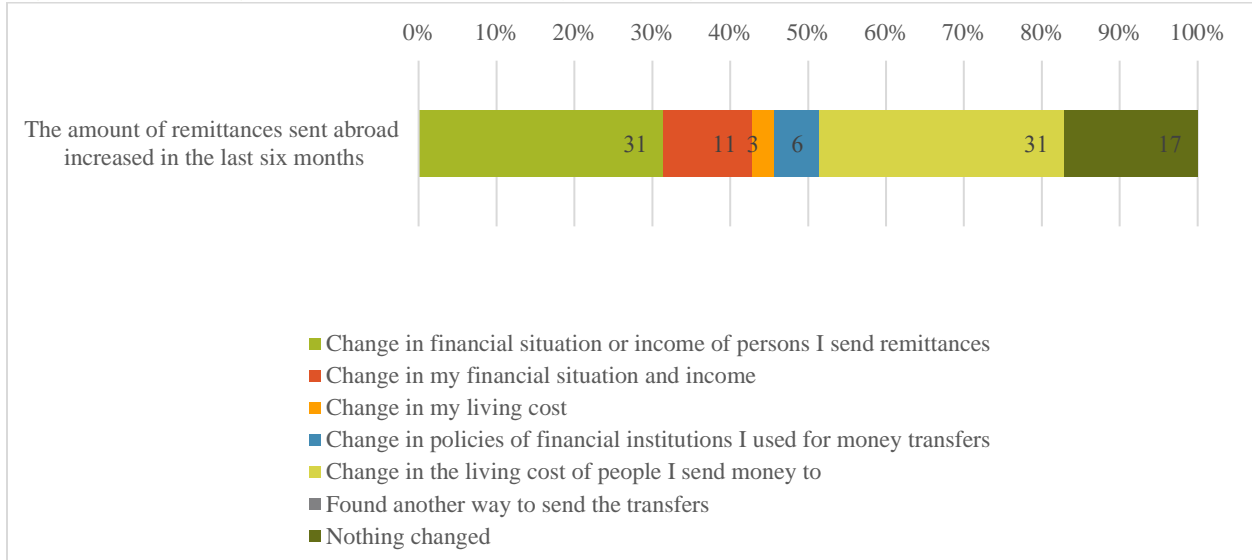
When asked about the reasons for such changes, around 34 percent of respondents attributed the change in the amount of money transfer to the living costs of family members/relatives that receive the money transfers or the change in the financial situation/income of persons receiving remittances (20 percent respectively).

Figure 18. Reasons for change in the monetary amount of the remittances sent in the last six months



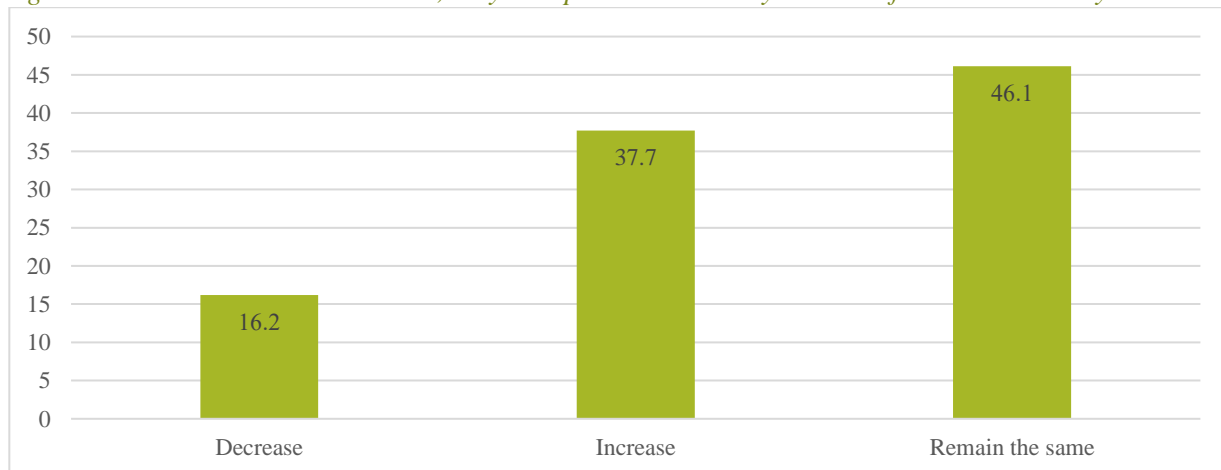
Disaggregating the data for the group of respondents who previously claimed that the amount of the remittances sent in Kosovo increased in the last six months (question 17), the main reason seems to be the change in the living costs or financial situation of family members/relatives that are recipients of such funds.

Figure 19. Reasons for the increase in monetary amount of the remittances sent in the last six months



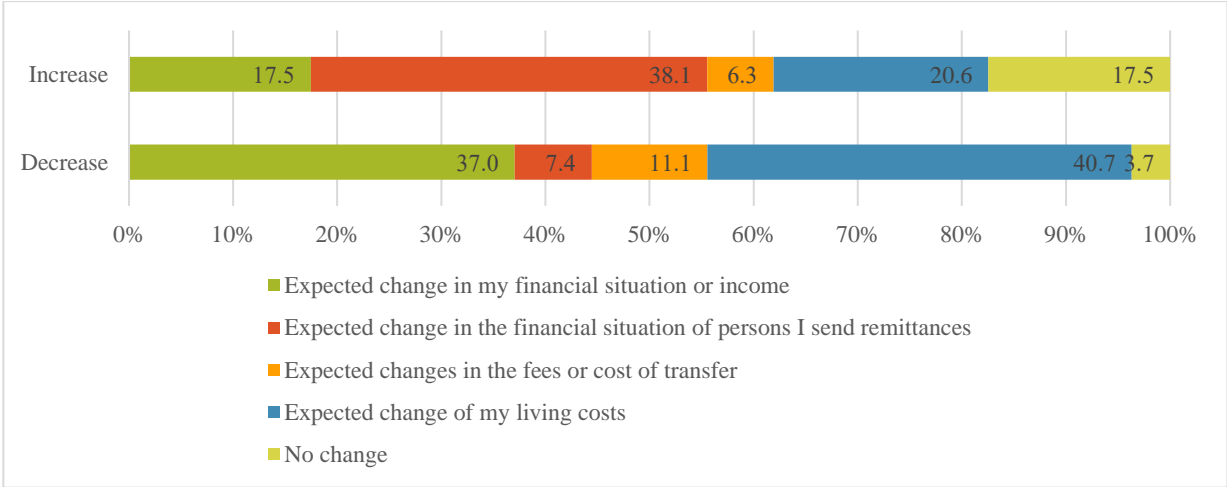
Around 46 percent of the respondents expect that the monetary amount of the remittances to Kosovo will remain the same in the next 6-12 months, compared to 38 percent that believes they will be increasing the amount of money and 16 percent who stated the opposite—that the amount will actually decrease.

Figure 20. In the next 6 to 12 months, do you expect the monetary amount of the remittances you send to



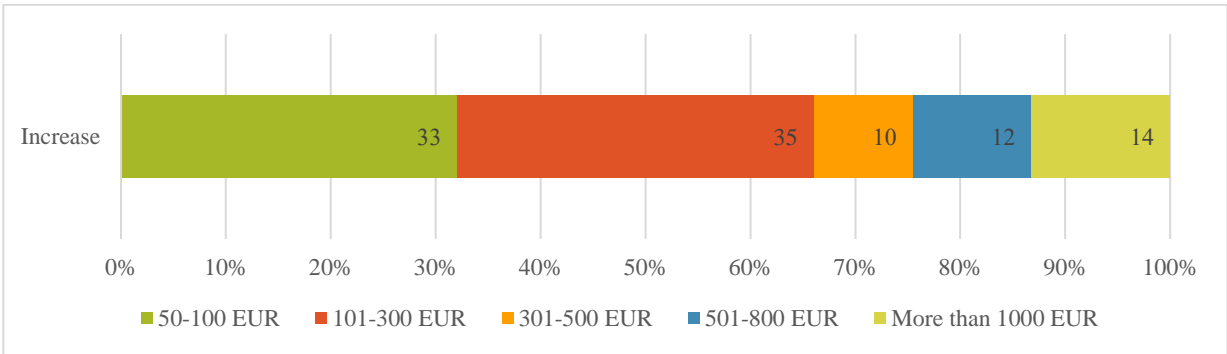
For the share of respondents who are expecting that the monetary amount of remittances might decrease in the next 6 to 12 months, main reasons were an expected change in their living costs (41 percent) and expected change in their financial situation or income (37 percent). On the other hand, the share of respondents who claimed that the amount of remittances might increase in the next 6 to 12 months reported that the main reasons might be expected changes in the financial situation of the persons they send remittances to (38 percent) or expected change in their living costs (21 percent).

Figure 21. Reasons for expectations of remittance increase/decrease in the next 6 to 12 months



Around 35 percent of the respondents who expect an increase in the monetary amount of remittances sent to Kosovo, claimed that the increase per transfer will be 101-300 EUR, followed by 33 percent who claimed the amount might increase by 50-100 EUR per transfer and 14 percent that claimed that the amount per transfer might increase by more than 1,000 EUR.

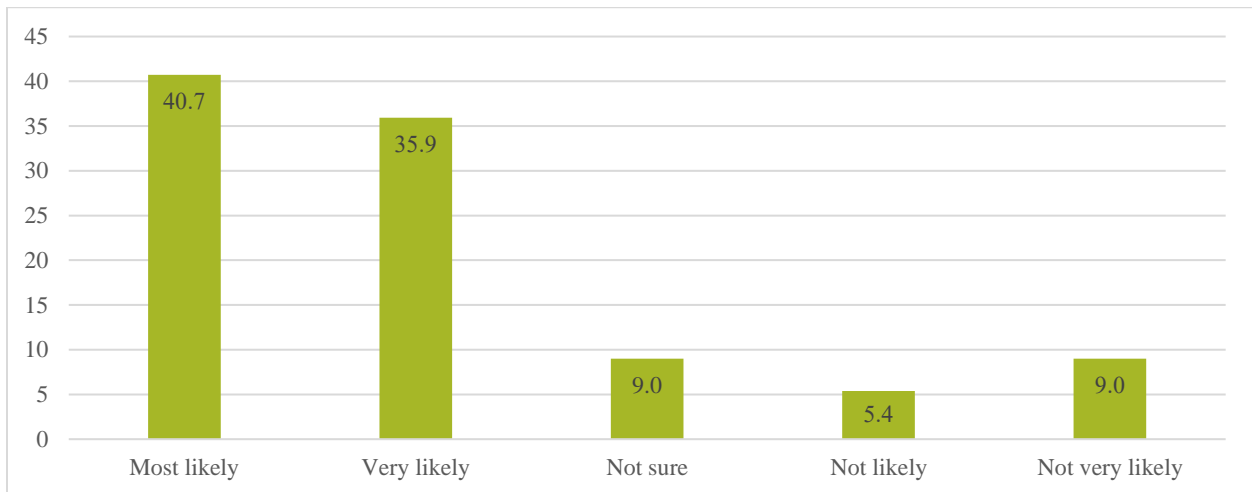
Figure 22. Amount of increase/decrease based on expectations of remittance increase/decrease in the next 6 to 12 months



Remittances: Future potential impact of external conditions

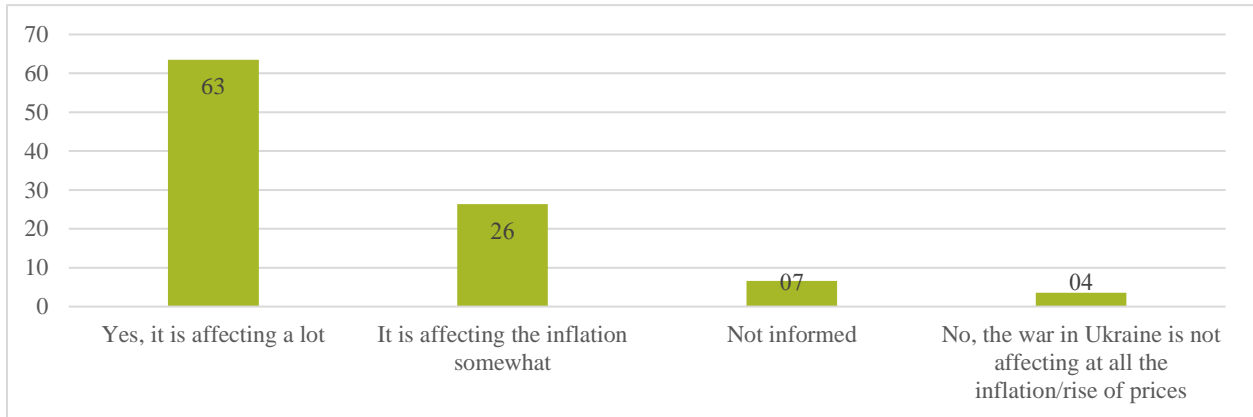
Based on future expectations and the questions so far, respondents were asked to provide opinions on the general economic and political situation and their impact on market conditions and future remittance flows. Around 41 percent of the remittance senders from this survey believe that inflation is most likely to affect the remittances sent to Kosovo, followed by 36 percent who believe this is very likely to happen. In contrast, around 14 percent of respondents believe that it is not likely or not very likely that inflation will impact the inflow of remittances they send to Kosovo.

Figure 23. How likely do you think that inflation/rise of prices will affect the amount of remittances you send to Kosovo?



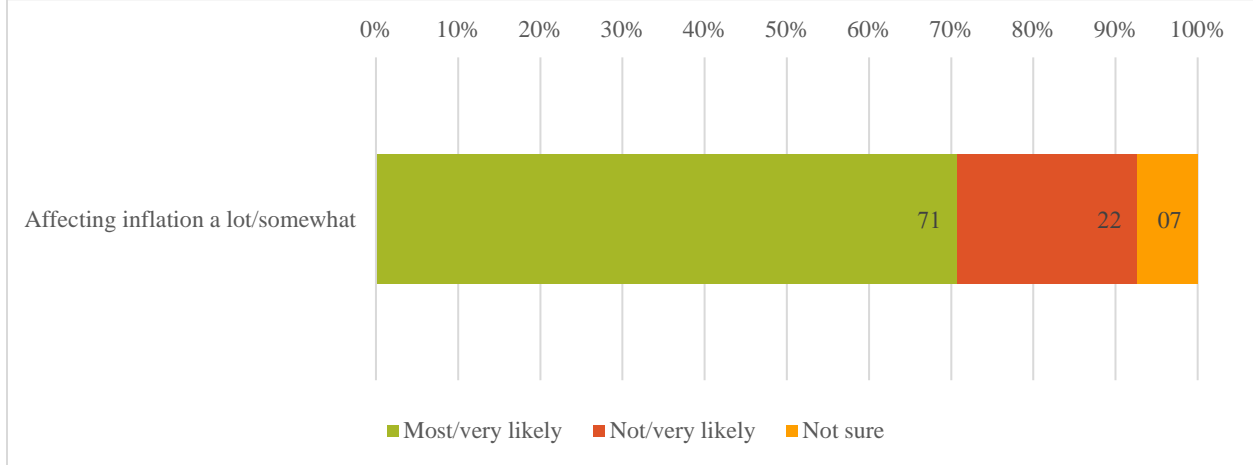
Finally, respondents were asked to provide opinions on whether they believe that the war in Ukraine is affecting the rise in general prices/inflation. Results show that the majority of the remittance senders from this survey believe that the war in Ukraine is affecting inflation/rise in prices a lot (64 percent), around one quarter that it is affecting somewhat (26 percent), and a minor share stated not to be informed (7 percent). Only 4 percent of respondents held different views that the war is not affecting inflation at all.

Figure 24. In your personal opinion, how much do you think that the war in Ukraine is affecting inflation/rise of prices?



Out of the group of respondents who claimed that the war in Ukraine is affecting inflation a lot and somewhat, the vast majority believe that inflation will affect the amount of remittances they send to Kosovo, as opposed to around 22 percent of respondents who do not think it is very likely that inflation will affect the amount of remittances.

Figure 25. Opinions on the impact of inflation on future remittances, given responses that the war in Ukraine is affecting inflation a lot/somewhat



Survey with remittance receivers

Demographic information

The sample for the second part of the study consists of 117 respondents – people in Kosovo that receive remittances from family members/relatives in the diaspora. 58 percent of the respondents for this part of the survey were women, and 42 percent were men. Most of the sample reported to

be 26-35 years old (40 percent), followed by the 18-25 years old (32 percent) and 36-45 years old (15 percent).

Figure 26. Gender

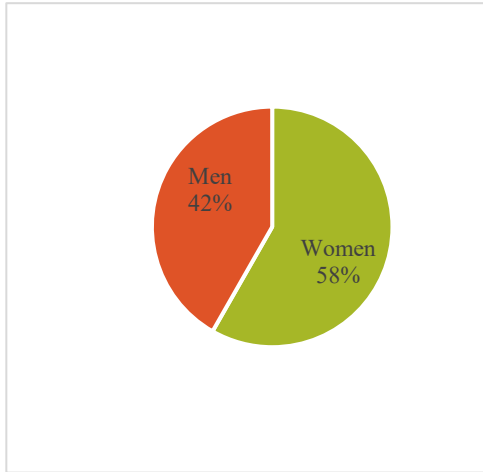
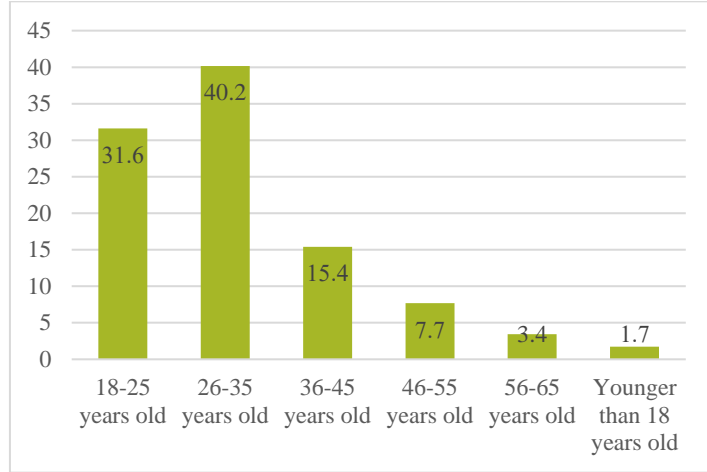
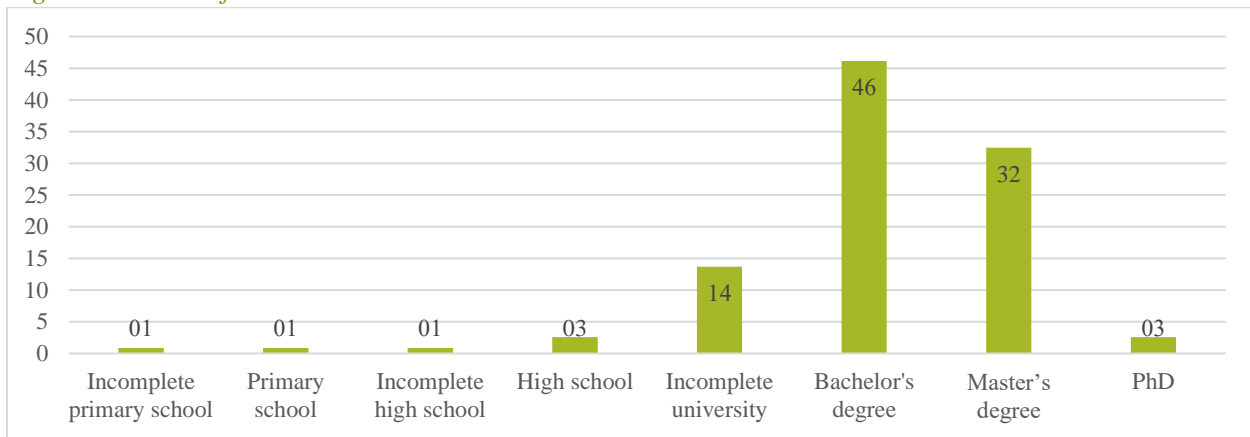


Figure 27. Age group



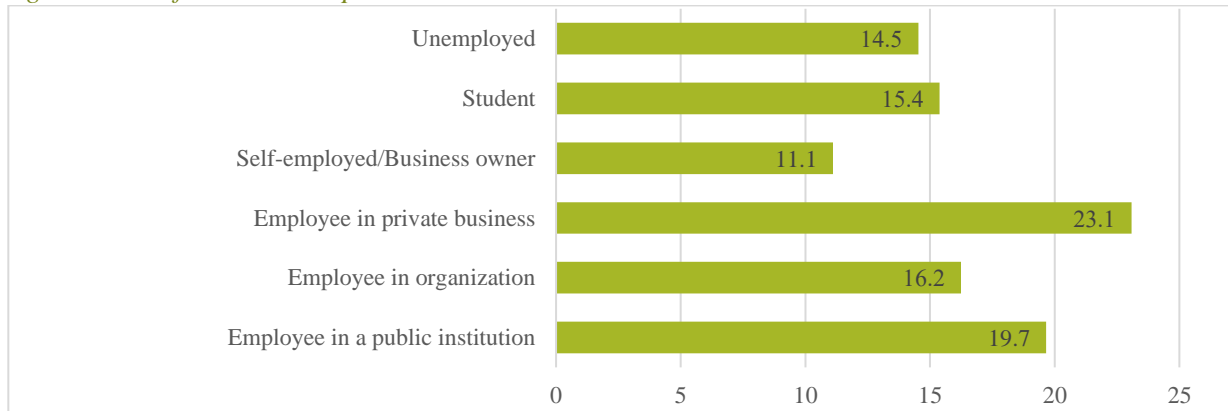
When it comes to education level, almost half of the sample reported to have a bachelor’s degree, followed by 33 percent who have a master’s degree and around three percent who have a PhD. Around 14 percent of the sample reported to not have finished their undergraduate studies.

Figure 28. Level of education



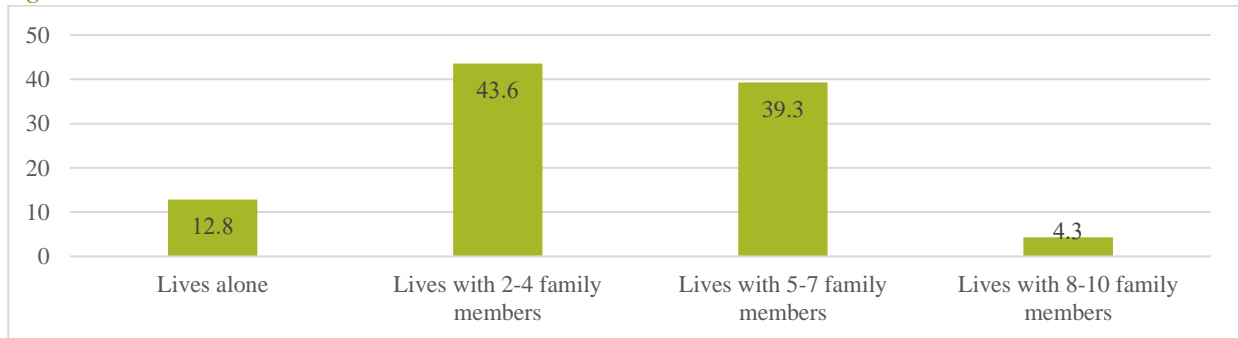
The majority of remittance receivers in the sample work for private businesses, followed by 20 percent working for public institutions and 16 percent working for Kosovo-based non-governmental organizations. Around 11 percent of the respondents are self-employed/business owners, and 15 percent reported to be unemployed at present.

Figure 29. Professional occupation



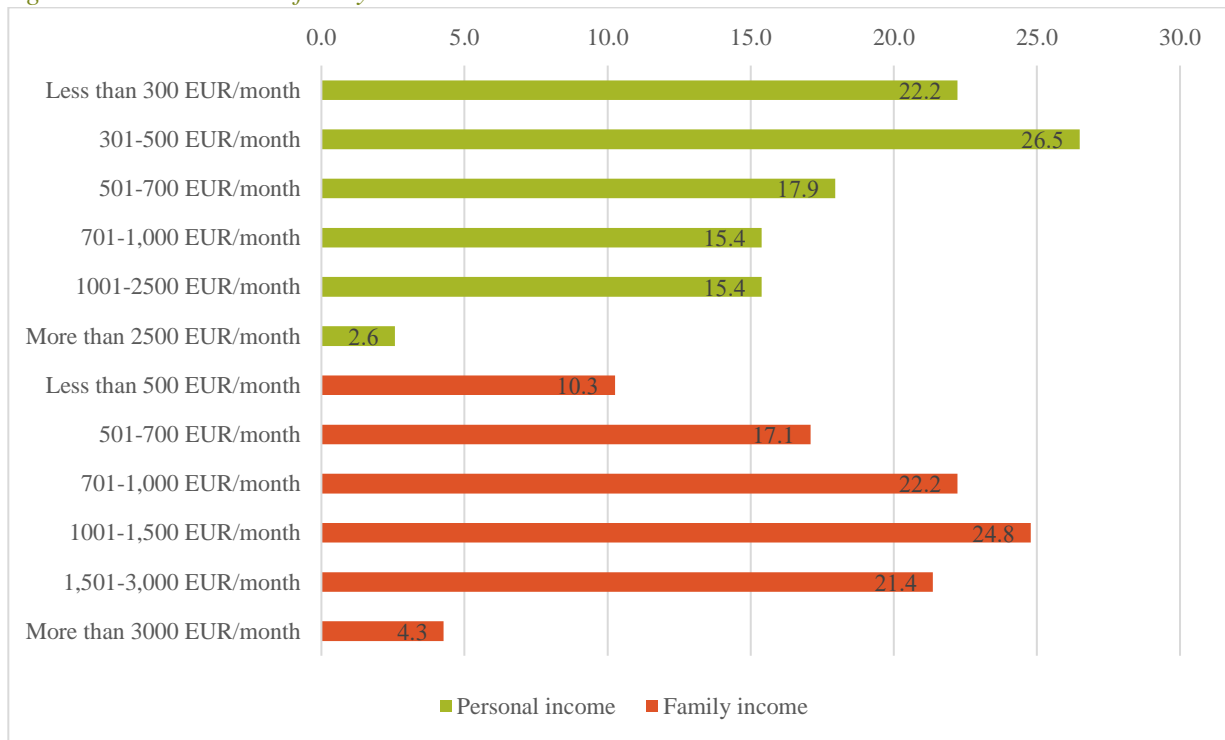
Looking at the household characteristics, most respondents reported living with 2 to 4 family members (44 percent), followed by 39 percent who live with 5 to 7 family members. Around 13 percent of the respondents in this survey who receive remittances reported to live alone.

Figure 30. Household characteristics



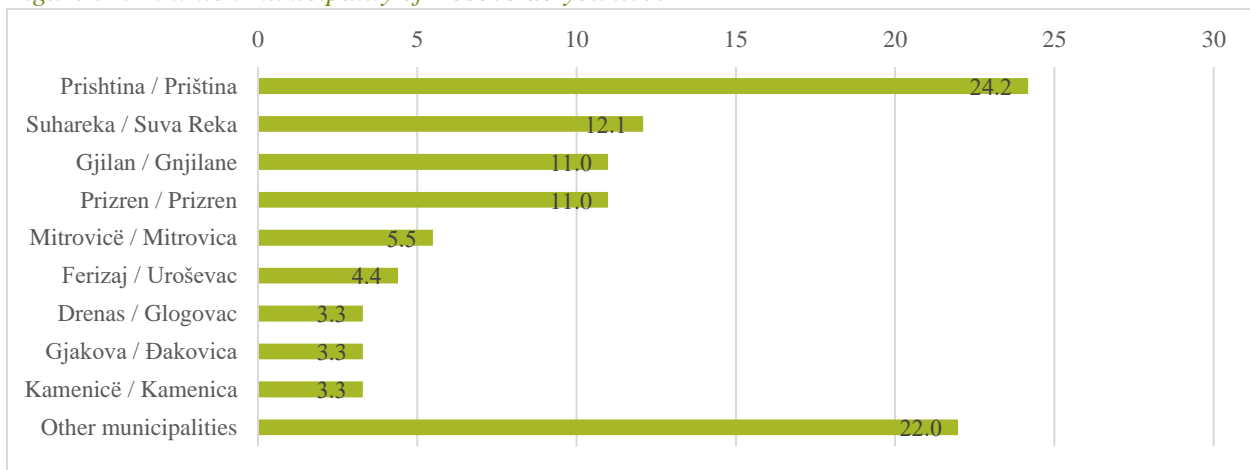
Asking about personal and family income, excluding remittances, about a quarter of the respondents from this survey reported earnings of 301-500 EUR/month, followed by those that reported an income of 701-1,000 EUR/month (15 percent). However, around 22 percent declared an income of less than 300 EUR/month. Looking at family income, around a quarter of the sample percent of the respondents claimed to have family income on a range of 1,001-1,500 EUR/month, followed by those who reported to have family income of 701-1,000 EUR/month (22 percent). Around 10 percent of survey respondents claimed their family income is less than 500 EUR/month.

Figure 31. Personal and family income



About a quarter of the respondents live in Prishtinë/Priština, followed by Suharekë/Suva Reka (12 percent), Gjilan/Gnjilane and Prizren (11 percent each), Mitrovicë/Mitrovica (5 percent), Ferizaj/Uroševac (7 percent) and the rest in other municipalities.

Figure 32. In which municipality of Kosovo do you live?



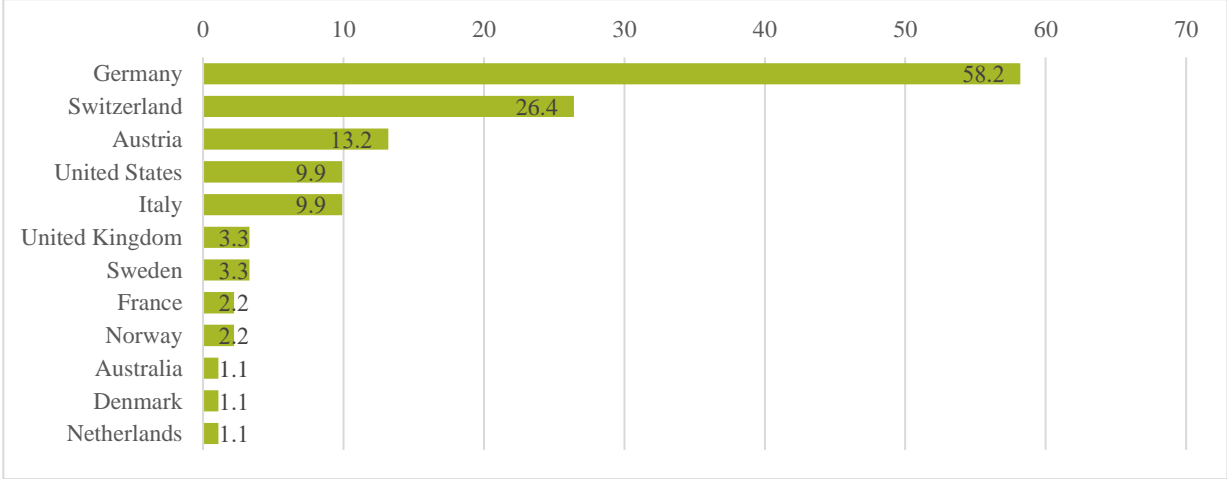
Remittances: Channels, frequency and usage of funds

Remittances is a very important source of income for households in Kosovo. Around 40 percent of the respondents reported that they would not be able to cover basic family needs in case these

funds were not to be provided. This section of the report offers more insights about remittances received and future challenges.

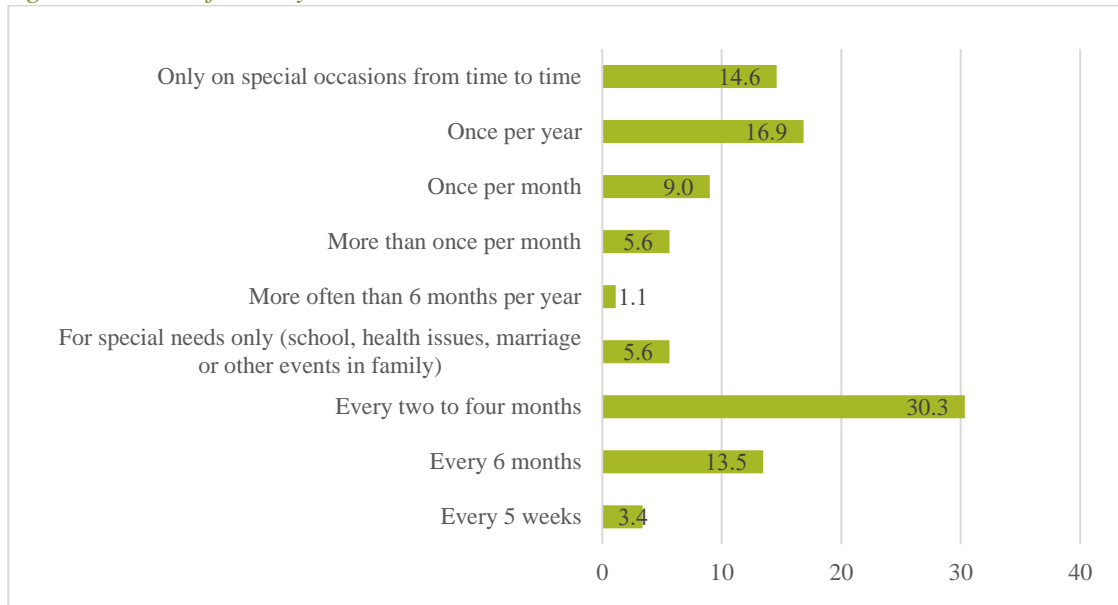
The majority of the remittance receivers in the sample receive funds from family members/relatives who live in Germany (58 percent), Switzerland (26 percent), Austria (13 percent), United States and United Kingdom (around 10 percent each) and the rest from other countries.

Figure 33. From which country do you usually receive remittances?



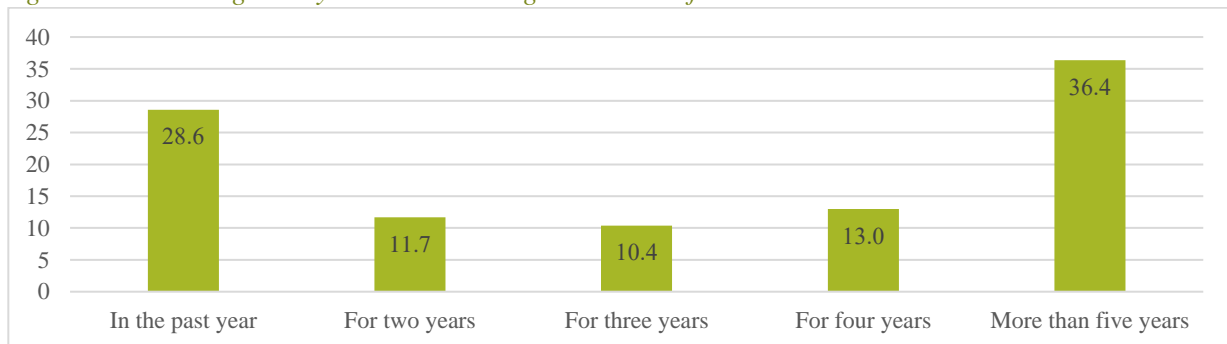
Around a third of the respondents claimed to receive remittances every two to four months, and around 17 percent reported to receive remittances once per year. Around 15 percent claimed to receive such additional income only for special needs that might arise in the family, and a smaller share reported to receive remittances every six months.

Figure 34. How often do you receive remittances?



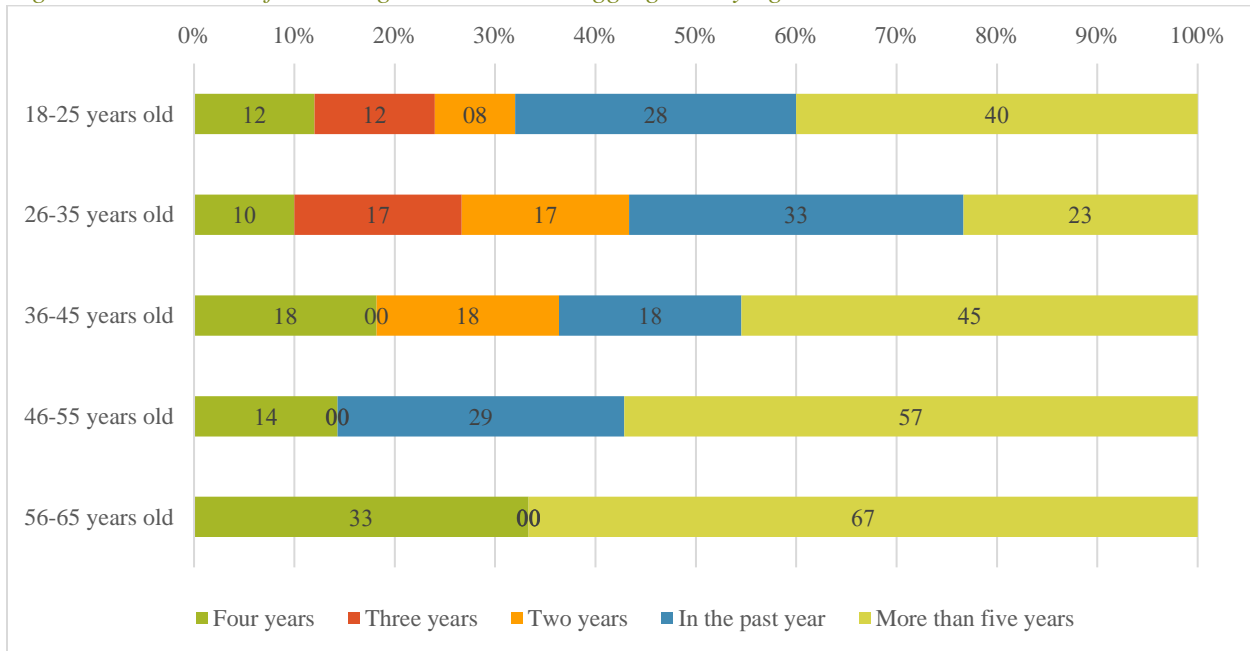
More than 35 percent of respondents reported having been receiving remittances for more than five years, while 29 percent responded to have been receiving remittances in the past year only.

Figure 35. How long have you been receiving remittances from abroad?



Disaggregating the data by period of receiving remittances, results show that a larger share of respondents in the age group of 36-45 years old, 46-55 years old and 56-65 years old have been receiving remittances for more than five years now. A considerable share of respondents has started receiving remittances during the past year, especially in the group age bracket of 26 to 35 years old.

Figure 36. Duration of receiving remittances disaggregated by age



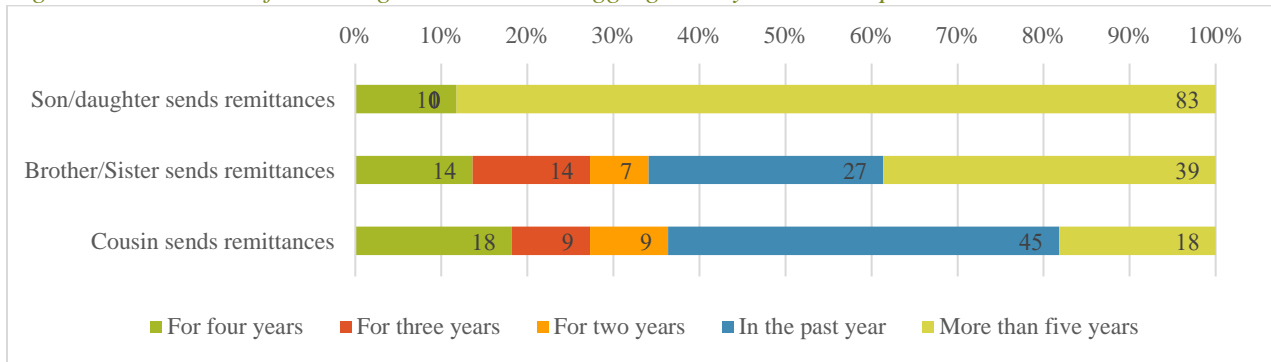
Around half of the respondents claimed to receive remittances from only one person, while the other half claimed to receive remittances from two or more persons living in the diaspora. In most cases, respondents claimed to usually receive remittances from their brother or sister residing abroad (61 percent), followed by cousins living in the diaspora (15 percent) and from parents (13 percent). The average amount of money transfers was reported to be 557 Euros, on a range from 10 to 10,000 Euros.

Figure 37. What is your relationship to the persons/s who send remittances?



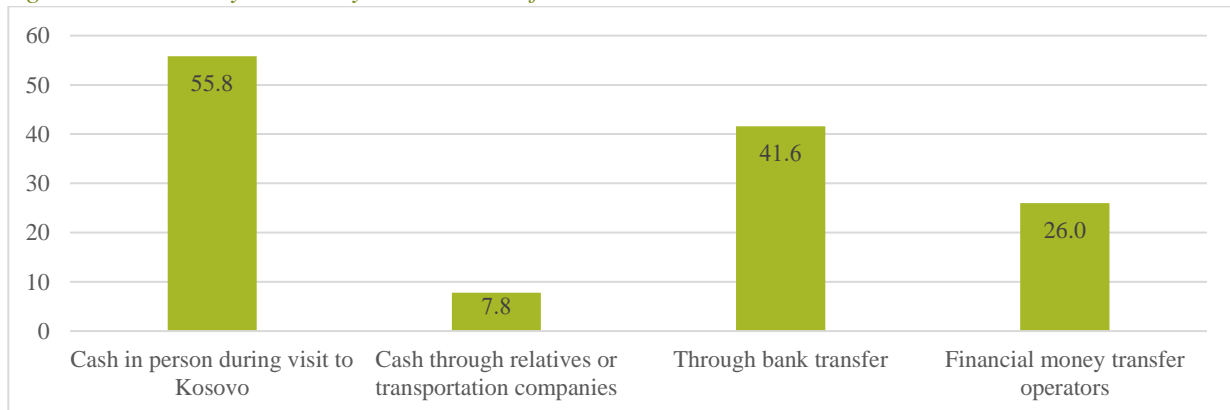
Around 39 percent of respondents who claimed that their siblings send remittances reported having been receiving these funds for more than five years, while 27 percent of the respondents have started getting remittances in the past year. The duration of remittances for respondents who receive funds from cousins is shorter in comparison.

Figure 38. Duration of receiving remittances disaggregated by relationship to remittance sender



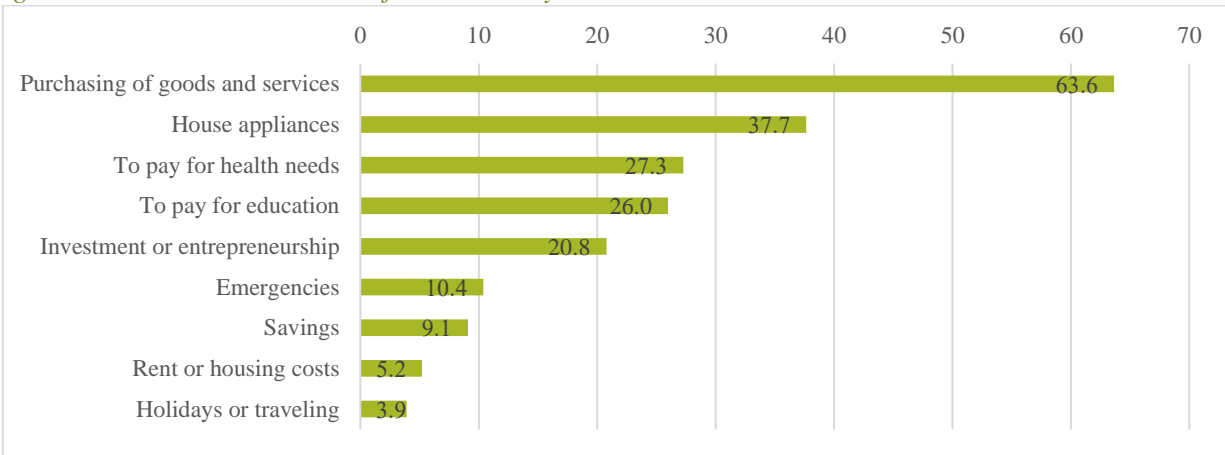
Two of the most frequently chosen methods to receive money transfers reported were cash in-person during the family member’s home visit (56 percent) and bank transfers (42 percent). Around 26 percent of respondents claimed to use financial money transfer operators to receive funds from abroad, and less than 10 percent receive cash through other relatives or transportation companies.

Figure 39. How do you usually receive these funds?



Around 87 percent of the respondents claimed that remittances are very important for covering expenses and family needs in their households. In most cases, remittances are used for purchasing goods and services (64 percent), purchasing house appliances (38 percent), paying for health needs (27 percent) and education (26 percent), investment/entrepreneurship (21 percent) and other needs, emergencies, or saving for future expenses.

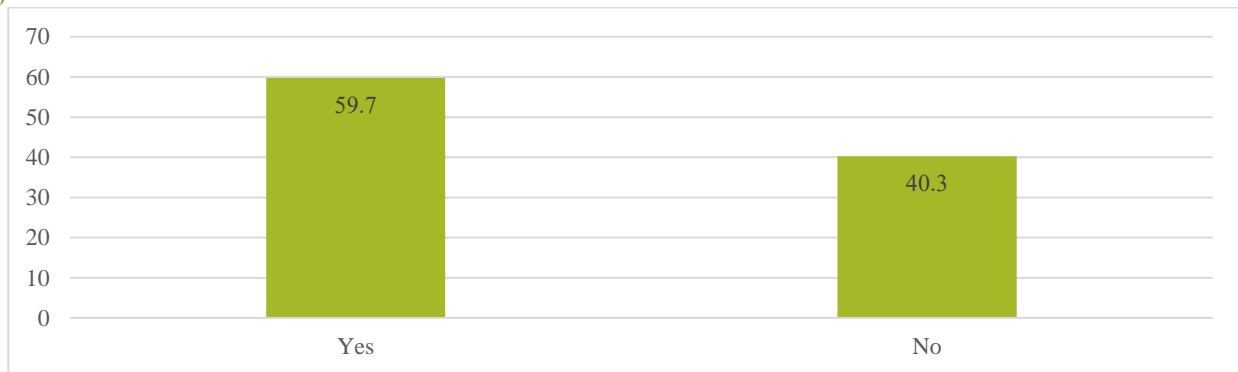
Figure 40. What is the main use of remittances you receive?



Remittances: Future expectations based on external conditions

The majority of remittance receivers in the study are not expecting any changes in the next 6 to 12 months regarding funds received from abroad. However, around 40 percent of the respondents believe that a potential change in the financial situation of the family member/relative that sends remittances can impact the amount of funds received. Similarly, expected changes in the living costs of the person sending remittances would also impact flows.

Figure 41. In the next 6 to 12 months, do you expect to receive the same monetary amount of remittances from abroad?



Almost all respondents believe that the war in Ukraine is affecting inflation and the increase of prices. Consequently, around 85 percent of survey respondents believe that inflation will affect the monetary amount of remittances they usually receive, in contrast to around 8 percent who do not see this as likely/very likely.

Figure 42. In your personal opinion, how much do you think that the war in Ukraine is affecting the inflation/rise of prices?

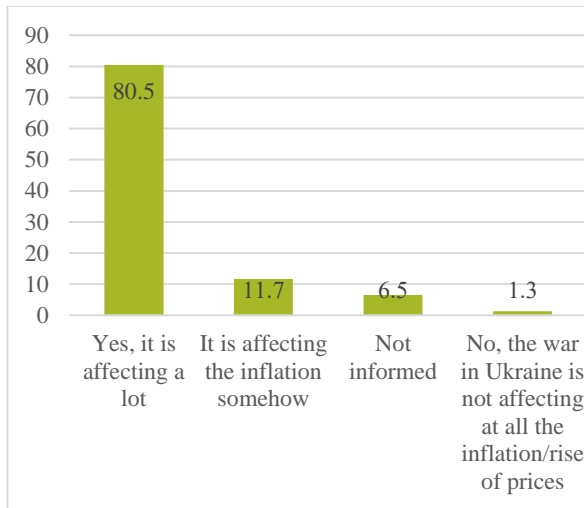
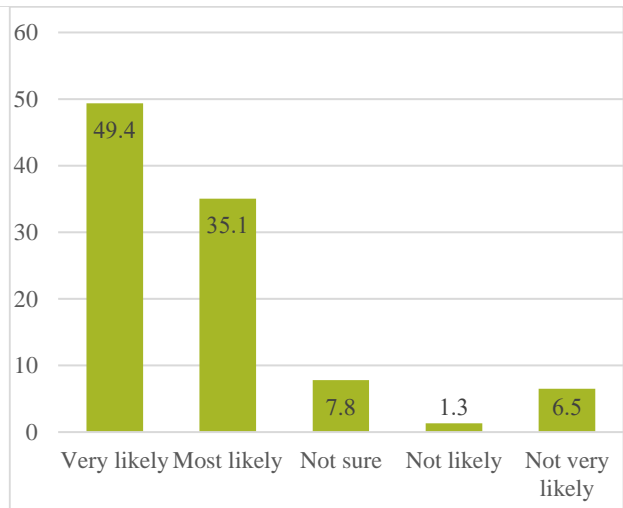
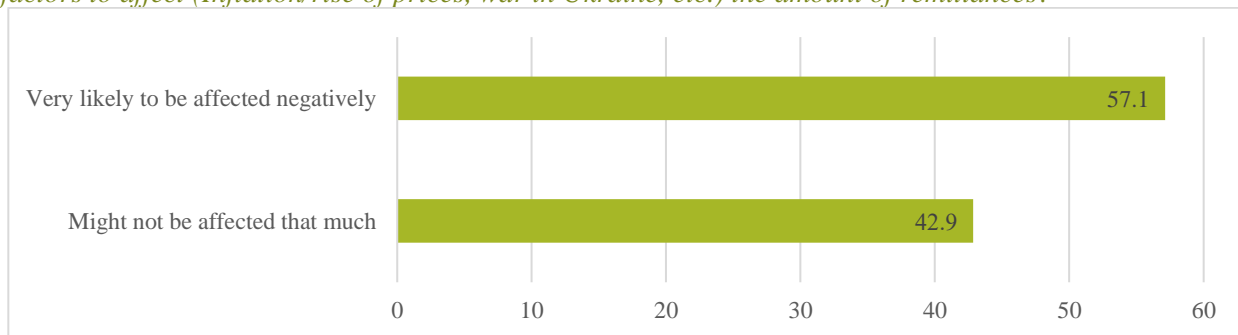


Figure 43. How likely do you think that inflation/rise of general consumption prices will affect the monetary amount of remittances you receive?



When it comes to the current economic and political situation created as a result of the war in Ukraine, views are somewhat divided. While around 43 percent believe that these external factors might not have a huge impact on the monetary amount of remittances they usually receive from abroad, more than half have opposite views and believe such events will have a negative effect.

Figure 44. Based on the current economic and political situation, how likely do you expect external factors to affect (Inflation/rise of prices, war in Ukraine, etc.) the amount of remittances?



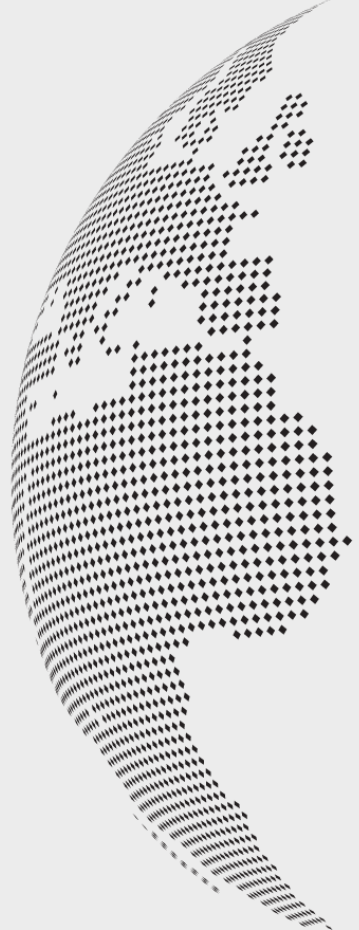
Recommendations

This study reveals several interesting findings which can be further elaborated by a range of institutional bodies to enhance diaspora engagement in Kosovo and also mitigate the potential decrease of remittances.

- **Reducing costs of money transfers** - Remittance flows are an important component of the current account in Kosovo. This study finds that for remittance senders, it is important to channel funds through quick and cheaper methods of money transfers. Better cooperation between the central institutions and financial institutions to improve and make cross-border payments more accessible and enhance the integrity of money transfer systems would help increase the frequency of such flows. This would require policy reforms and technical improvements that would aim to facilitate the transfer of funds from the diaspora to Kosovo.
- **Creating investment opportunities for Diaspora** - This study focused on remittance flows, that is financial means provided to family members, excluding investment. Results showed that most of these funds are used for the consumption of goods and services. Diaspora communities can be a useful force for development in home countries by raising financial capital and therefore boosting job creation, productivity and higher growth. In Kosovo, there is a need for cooperation between institutional bodies to attract diaspora engagement in terms of capital investments. This can be achieved by relaxing legal barriers and capital flow restrictions faced by diaspora members when for example buying their own property and investing in business opportunities.
 - *Introducing new financial mechanisms to channel diaspora financial capital to investments*
Attracting investments from the diaspora does not mean only the organization of conferences or the promotion of opportunities on the ground. Introduction of new financial mechanisms such as bonds (debt securities) or guaranteeing venture capital or private equity funds has the potential to further incentivize diaspora investments. The introduction of diaspora bonds constitutes an important step in this direction. However, there is room and opportunity to support the development of private investment funds with capital from the diaspora. However, it is important that in addition to a Kosovo-wide focus there is also a connection with the local level and the municipalities as they are also in need of investments to increase prosperity.
- **Know-how and skills transfer** - The level of education for more than half of the remittance senders in this survey was university level and higher. Moreover, 17 percent are business owners, and around 48 percent reported working on private businesses abroad. Diaspora's role

in development goes beyond remittances and investment due to their professional and technical skills that could be a valuable contribution to Kosovo. This presents the need for the development of a multi-functional platform in Kosovo to create opportunities for knowledge and technical skills transfer through different programs that would encourage diaspora members to contribute. At present, there is a lack of professional diaspora engagement across different sectors in Kosovo, such as education, healthcare, and entrepreneurship. Initiatives by non-governmental organizations should also be supported in creating more such programs that would enable a transfer of the diaspora's expertise in knowledge and skills.

- **Mitigation of the potential decrease in remittances due to the crisis** – There seem to be a mismatch in expectations of future remittances between senders and receivers. In the study, 22% of receivers have a personal income under 300EUR/month and 10% have a family income of less than 500EUR/month. With a comparably high education among the respondents that are remittance receivers in this report, this is just the top of an iceberg. The respondents are expecting the war in Ukraine and the inflation to affect how much they are sending/receiving. With families living close to the poverty line potentially negatively affected, there has to be an investigation of mitigating measures to respond to the economic impact.



Kosovo Diaspora and its Role Amidst **Multiple Crises**

March 2023