



UNIVERSITY OF LEEDS

This is a repository copy of *Mobilising diaspora to promote homeland investment: The progress of policy in post-conflict economies*.

White Rose Research Online URL for this paper:  
<http://eprints.whiterose.ac.uk/125309/>

Version: Accepted Version

---

**Article:**

Williams, N (2018) Mobilising diaspora to promote homeland investment: The progress of policy in post-conflict economies. *Environment and Planning C: Politics and Space*, 36 (7). pp. 1256-1279. ISSN 2399-6544

<https://doi.org/10.1177/2399654417752684>

---

© 2018, The Author(s). This is an author produced version of a paper published in *Environment and Planning C: Politics and Space*. Reprinted by permission of SAGE Publications.

**Reuse**

Items deposited in White Rose Research Online are protected by copyright, with all rights reserved unless indicated otherwise. They may be downloaded and/or printed for private study, or other acts as permitted by national copyright laws. The publisher or other rights holders may allow further reproduction and re-use of the full text version. This is indicated by the licence information on the White Rose Research Online record for the item.

**Takedown**

If you consider content in White Rose Research Online to be in breach of UK law, please notify us by emailing [eprints@whiterose.ac.uk](mailto:eprints@whiterose.ac.uk) including the URL of the record and the reason for the withdrawal request.



[eprints@whiterose.ac.uk](mailto:eprints@whiterose.ac.uk)  
<https://eprints.whiterose.ac.uk/>

# **MOBILISING DIASPORA TO PROMOTE HOMELAND INVESTMENT: THE PROGRESS OF POLICY IN POST-CONFLICT ECONOMIES**

N. E. Williams

University of Leeds, U.K.

## **Abstract**

This paper examines the development of policies which seek to mobilise and maximise the potential of diaspora investment in their home countries. While a great deal of migrant entrepreneurship literature which focuses on impacts in the host country, less is known about the impacts of diasporans on home countries. The paper focuses on the three post-conflict Balkan economies of Bosnia and Herzegovina, Kosovo and Montenegro, each of which has large diaspora communities. Through an analysis of relevant literature and policy documents, the paper shows that post-conflict economies are aiming to mobilise the diaspora in response to negative impacts of economic shocks, which in the case of the Balkans has been caused by the break-up of the former Yugoslavia and wars on the 1990s. Similar strategies are being introduced in the three economies but how these translate into coordinated policy differs, with the ability to effectively mobilise the diaspora impacting on future growth. Contributions to scholarship on diaspora communities and policy approaches are discussed.

## **INTRODUCTION**

The majority of lower income countries have policies to welcome and encourage foreign investment, and often find themselves in competition for such investment (Gillespie et al, 1999; Riddle and Brinkerhoff, 2011; Gamlen, 2014 Dickinson, 2017). With increasing movements of people around the world, such transnational economic activity is becoming an ever more important phenomenon (Van Delft et al, 2000; Mohan, 2006; Ram and Jones, 2008; World Bank, 2016) and a key focus for public policy (Kuznetsov, 2006; Nielsen and Riddle, 2010; Wang and Liu, 2015). This study focuses on one of these strategies, namely the targeting of diaspora communities for inward investment, which has become increasingly institutionalised within newly created ministries of diaspora affairs (Clemens et al 2007). The extant literature on diaspora communities often examines the link between two different countries (Levin and Barnard, 2013), which can facilitate the sharing of capital (Mullings, 2011), technical

knowledge (Oettl and Agrawal, 2008), expectations of how business should be conducted (Riddle and Brinkerhoff, 2011), direct investment (Turnock, 2001), and the harnessing of entrepreneurial activity (Ram et al, 2008; Kitching et al, 2009; Smallbone et al, 2010; World Bank, 2016). This paper examines how policy makers in post-conflict economies are aiming to mobilise investment of the diaspora to benefit their country of origin.

Diaspora communities can be defined by the dispersion of ethnic and national groups across international borders (Smallbone et al, 2010) and who maintain a relationship to their country of origin (Safran, 1991; Nielsen and Riddle, 2010; Riddle and Brinkerhoff, 2011). This (often emotional) tie means that diaspora communities often adopt transnational characteristics which are a mix of learned cultural and social behaviours from their country of origin and host country (Kshetri, 2013). Economies aiming to attract investment from their emigrant diaspora communities, often referred to as diaspora direct investment (DDI) (see, for example, Newland and Tanaka, 2010), are often less economically developed. Any increase in DDI has a significant positive effect on economic development, and also has a wider impact of influencing perceptions of the investment climate, which can in turn lead to an increase in national investment (Gillespie et al, 1999). Furthermore, DDI triggers a “demonstration effect”, whereby residents in the diaspora’s country of origin are encouraged into economic activity as a result of the increased investment from abroad (Riddle et al, 2010). In addition to investment, the diaspora contribute significantly to their country of origin by delivering large sums of remittances (Vaaler, 2013; Martinez et al, 2015). These commonly go towards supporting friends and family and are an example of the diaspora communities feeling of moral responsibility to benefit the development of their home country created by their emotional ties and connections. However, research has moved beyond consideration of remittances as the key source of transfer from diasporans (Clemens et al, 2007). Diaspora communities contribute to their country of origin through the transfer of knowledge (Riddle et al, 2010). This works

thorough both social and business channels as the diaspora interact with others transnationally and pick up and share skills and ideas. While the economic impacts of transnational diaspora entrepreneurship are highly significant, the non-economic impacts have been described as at least as significant to the social, cultural and political environments in the country of origin (Kshetri, 2013). This can benefit individual family and friends with whom the diaspora has contacts, but can also bring about institutional changes (i.e. changes to the rules which govern entrepreneurial activity) through the influence of policy makers (Riddle and Brinkerhoff, 2011). As such, economies which can mobilise and harness the assets of the diaspora community can accelerate economic development. Despite this, however, much policy focus has centred on ‘extracting obligations’ from the diaspora, asking ‘what they can do for them’ rather than what ‘they can do’ for diaspora investors (Gamlen, 2006). In addition, diaspora specific policies is particularly challenging in post-conflict economies, where government emphasis is on building nascent and fragile institutional environments, and where coordination between different departments and levels of government is often lacking (Nielsen and Riddle, 2010). As diaspora engagement in the homeland can be multidimensional, driven by individuals or through families, through formal and informal networks, their mobilisation can assume different forms of financial and human capital, including remittances, direct investment, philanthropy and tourism (Nkongolo-Bakenda and Chrysostome, 2013). Given that engagement is multidimensional, policies aimed at mobilising the diaspora are also multidimensional, seeking to, for example, secure remittances, direct investment, sharing of human and social capital. Following Sinatti and Horst (2015), we define ‘diaspora engagement’ as the initiatives set up in pursuit of channelling investment and different forms of capital to the homeland. However, the paper shows that diaspora engagement policy is often uncoordinated meaning that specific types of investment are not targeted. Rather, the policy

approach is that any type of investment is sought, above and beyond what is already delivered through remittances.

There has been a growth in literature on migration, entrepreneurship and development (Clemens et al, 2007), with the majority focusing on the impacts in host countries. For example, Ram et al (2008) examine Somalis in the English city of Leicester; Baycan-Levent and Nijkamp (2009) investigate migrant entrepreneurship in eight European countries; Neal et al (2013) examine Ghanaian and Somali settlements in the UK; and Lassmann and Busch (2015) examine immigrant entrepreneurial activity among different ethnic groups in the USA; while there is some research which examines impacts in both home and host countries (see, for example, Patel and Conklin, 2009). However, less is understood regarding diaspora entrepreneurship, and while some research currently exists on diaspora impacts on the home country (see, for example, Gillespie et al; 1999; Nielsen and Riddle, 2010; Riddle et al, 2010), these focus on individual motivations rather than policy dimensions. Furthermore, as Gamlen (2014) states, there is a paucity of comparative work examining policy approaches to diaspora communities, and as such this paper aims to fill this gap.

This paper contributes to the literature by examining the development of policies which seek to mobilise diaspora communities to harness economic development in their country of origin through a focus on post-conflict economies. While Nielsen and Riddle (2010) examine the motivations of diaspora to invest in post-conflict economies, there is currently no existing research which examines the progress of policy in these dynamic and changing contexts. Through a review of key literature and policy documents, we seek to shed light on how policy makers are shaping approaches to mobilising the diaspora to support economic development in their country of origin. Whilst understanding the impact of government policy making often takes many years to become evident, the article seeks to make some interpretations and inferences of both realised and future impact. The research focuses on the

three post-conflict Balkan economies of Bosnia and Herzegovina (hereafter BiH), Kosovo and Montenegro, each of which has seen significant emigration to other parts of the world, particularly as a result of the wars of the 1990s and the break-up of the former Yugoslavia. This emigration has left each country with sizable diaspora communities spread around the world, but also with the challenge of developing relatively weak economies.

In examining diaspora policy in the post-conflict economies of the Balkans, a framework is presented which shows that negative changes in a system stimulate responses and that the effects of these responses can return the system to a 'norm' of economic growth (Figure 1). The model demonstrates that the 'norm' to be achieved by a system is a situation of economic growth where the response to positive and negative changes can bring about effects which help to create more resilient economies which are better able to withstand shocks (Simmie and Martin, 2009; Williams and Vorley, 2014). The framework shows the negative impact of the break-up of the former Yugoslavia which created significant challenges for the newly independent states of BiH, Kosovo and Montenegro. Already weak economies were made weaker still by the waves of migration during and after the wars, and policy makers face the challenge of returning to a 'norm' of economic stability, albeit one which improves on the previous economies when each nation was a province of Yugoslavia. Mobilising the diaspora has the potential to contribute to economic and social development and thus return the system towards the 'norm,' of stability. In developing this framework, the article furthers research on the diaspora by illustrating the role that they can play in fostering development in their country of origin, the necessity of engaging with the diaspora to improve economic outcomes, and also the challenge of creating the right policy mix to ensure that they are effectively mobilised.

The remainder of the article is structured as follows. First, the literature on the role of diaspora communities in their country of origin is set out, followed by a review of common policy approaches to mobilising the diaspora. Next, diaspora communities in the Balkan

economies of BiH, Kosovo and Montenegro are discussed, before policy developments in the three economies are analysed. The article concludes by reflecting on the analysis and makes a number of contributions to scholarship on diaspora communities and policy.

## **LITERATURE REVIEW**

### **The importance of the diaspora for development**

Diaspora communities can play a very important role in the development of their countries of origin through contributions of various forms and shapes (Kuznetsov, 2006; Faist, 2008; Gamlen, 2014). By sending remittances, diaspora communities improve macroeconomic stability, reduce poverty rates by enabling their family members to meet consumption needs and facilitate human capital formation by enabling higher expenditure on education and health, as well as supporting entrepreneurial activity (Gillespie et al, 1999; Vaaler, 2013). Also, by working and undertaking education in their host countries, diaspora communities accumulate human, financial and social capital that can be invested for productive purposes in their countries of origin or gain valuable skills that could be transferred home, where such valuable capitals are often under-developed (Riddle and Brinkerhoff, 2011). Furthermore, active diaspora communities can serve as a vital bridge between their host countries and countries of origin, promoting and facilitating economic and political ties (Levin and Barnard, 2013).

Diasporas often take on transnational characteristics, consisting of traits adopted in both their home and host country. These characteristics are often multi-polar rather than bi-polar, as actors relate to multiple localities, and which gives them a unique advantage in conducting transnational business (Bagwell 2015). Furthermore, diaspora communities often maintain an altruistic tie to their homeland which makes them an ideal target for policy makers, as they are seen as more likely to wish to contribute to their country of origin (Nielsen and Riddle, 2010). In order to contribute, diaspora entrepreneurs utilise their formal and informal

networks between their country of origin and host country (Levin and Barnard, 2013). These allow for transfer of knowledge and facilitate trade between countries as well as offering support and motivation (Gillespie et al, 1999; Vaaler, 2013). Mayer et al (2015) find that first generation diaspora members are likely to have strong informal network ties to their country of origin as they have relationships with native family and friends before emigrating, and that more formal networks are built over time through business experience and success. These networks have been shown to reduce “space” between countries and so facilitate international trade and commerce as they are able to overcome informal barriers (Kshetri, 2013). While diaspora networks vary in terms of the number of actors they incorporate, their location, the benefits they provide to individual members and the strength of relations between network actors, all of which can influence economic activity (Smallbone et al, 2010), these transnational characteristics allow members of diaspora communities to operate intermediary roles between countries as they possess an advantage of deeper understanding of social and business environments internationally (Riddle et al, 2008). This assists them to not only develop their own ventures, but also to influence the entrepreneurial activity of others. Indeed, within the country of origin, business owners can exploit diaspora networks in two key ways: first, to access resources that are unavailable or more expensive to acquire from other sources; and second, to provide access to markets for goods and services (Smallbone et al, 2010).

The benefits accrued through these characteristics and networks can be tangible and intangible. Tangible benefits take the form of capital gains, such as financial and human capital, along with improved attractiveness and stimulus for DDI (Ojo et al., 2013; Mayer et al, 2015). Intangible benefits are less easily measured than tangible benefits as they do not hold quantifiable characteristics, however they can include institutional changes brought about by diaspora activity enhancing the globalisation of business and politics, as well as the transfer of knowledge which can have a direct impact on entrepreneurial activity or act as inspiration to



home country entrepreneurs, with the diaspora seen as a role model (Mayer et al, 2015). Networks offer diaspora communities invaluable and unique competitive advantages, making them fundamental to the growth and success of their own businesses, and a potential resource for harnessing entrepreneurship in their country of origin. Migrants who operate abroad often gain knowledge and skills that are lacking in the country of origin (Nielsen and Riddle, 2010). When they return to invest or start a new business, they remit this acquired human capital back to the origin country, thereby turning “brain drain” into “brain gain” (Saxenian, 1999; Stark, 2004).

It should be noted that although much research posits the positive impacts of diaspora engagement, this is not always necessarily the case. Indeed, investments made by foreign firms and entrepreneurs are not always efficient, and can crowd out domestic investment and displace local firms (Riddle and Nielsen, 2011). This can reduce local competition and lead to lower-quality products and inflated prices in local markets (Moran, 1998). Although emotional ties can motivate diasporans to invest, sentiments of altruism can be a constraining factor, and some may invest for social status or for political gain (Elo and Riddle (2016). Furthermore, policy makers who view diasporans as agents of change, risk overlooking the potential of those who remain within their borders (Bakewell, 2008). Graham (2014) argues that policy makers should revise expectations downwards regarding the development promoting effect of diaspora investment, and states that they do no more (or less) than other firms in terms of economic contribution. As such, diaspora engagement should not be considered as a simple ‘win-win’ (Pellerin and Mullings, 2013), and for economies in need of investment and higher rates of entrepreneurship, as in post-conflict contexts, strengthening diaspora investment and entrepreneurship is important but not without challenges (Riddle and Nielsen, 2011).

### **Public policy approaches to mobilising the diaspora**

Targeting diaspora communities for investment has become popular amongst policy makers (Martinez et al, 2015). The emotional ties to their country of origin mean that they are often more willing to improve and contribute to the country's economic and social standing without a solely financial motive. Policy makers often view diasporans as actual communities rooted in a national 'home' and sharing a group identity (Sinatti and Horst, 2015). Policy makers in low income countries often target diaspora communities as they have the potential for a large home country effect (Gillespie et al, 1999), and policy is also made imperative by weak institutional environments compared to more developed countries (Newland and Tanaka, 2010; Martinez et al, 2015).

Until recently diaspora engagement activities have been typically uncoordinated (Gamlen, 2014), with governments in the country of origin targeting and interacting with the diaspora in direct and indirect ways. Indirect forms incorporate general improvements to the institutional environment in an economy. Navigating institutional frameworks is always challenging but particularly so for diasporas who may never have lived in the country of origin, have lived abroad for a number of years, or who know relatively few people in the country (Nielsen and Riddle, 2010). However, diaspora entrepreneurs are often the first mover foreign investors into uncertain political and economic climates (Gillespie et al, 2001) and as such many countries are seeking creative ways to engage with and mobilise diaspora activity (Riddle et al, 2008).

In order to do this, direct forms of support have included policies specifically targeting the diaspora, typically in terms of finance and support, what Gamlen (2014) refers to as 'diaspora institutions', defined as offices of state dedicated to emigrants and their descendants. Yet engagement is multifaceted and 'the state' is often not an easily identifiable set of institutions or policies, but a dispersed set of everyday practices that cohere in particular socio-temporal contexts into state-like effects, and thus provide scholars of diaspora policy

with a more distributed conceptualisation of power and agency (Dickinson, 2017). Indeed, ‘diaspora institutions’ vary widely in form and function, from administrative departments, directorates and other units, with some within the office of the President or Prime Minister, or within labour/employment ministries, as well as digital platforms for engagement which are an attempt to map the diaspora and understand what activities they are willing to engage in more effectively (Brinkerhoff, 2009). Without such platforms, provision is often disparate (Ho, 2011). Within these institutions, a wide range of provision is often offered, with a popular approach being empowering diaspora agencies to develop and deliver policy (FMECD, 2012). Empowering agencies is important in ensuring coordination of policy and ensuring cost-effectiveness. For example, in Chile the ‘Office for Chileans Abroad’ is a department within the Ministry of Foreign Affairs responsible for providing services to the diaspora and facilitating its participation in economic development; while in Mexico, the ‘Institute for Mexicans Abroad’ also sits within the Ministry of Foreign Affairs and has a large field presence through Mexico’s consulates (Agunias and Newland, 2012). Such approaches are critical in ensuring a ‘one-stop-shop approach to providing advice and support to the diaspora as they act as the focal point for communication (Nielsen and Riddle, 2010). A further common approach is matching grants schemes, which can address one of the key barriers to diaspora investment, namely the financial risk associated with an unfavourable business environment. Projects are provided with funding on the condition that the recipient makes a specified contribution to the same project, and may assist in bringing in private investments into growing investments (Agunias and Newland, 2012). In Mexico, a 3+1 scheme was created meaning that for every dollar raised by the diaspora for a specific project, each of the three levels of government (municipal, state and federal) would match it dollar for dollar. A further common approach is the attraction of high skilled workers from the diaspora with aim of ensuring the transfer of knowledge to those within the country of origin. The Migration for Development in Africa

(MIDA) programmes have been implemented in a number of African countries and supports the short, long and virtual return of expatriates to a country's priority sector (Newland and Tanaka, 2010). The Transfer of Knowledge through Expatriate Nationals (TOKTEN) programme covers travel expenses, daily allowances and insurance of diaspora experts to engage in consulting opportunities in their country of origin (International Labour Organisation, 2001)<sup>1</sup>. Similar to this, Germany has a returning experts programme which supports junior as well as experienced individuals from a list of lower income countries who have completed their education in Germany but would like to return to their country of origin (Agunias and Newland, 2012).

Improvements in institutions are clearly important for lower income economies, not simply for attracting more diaspora investment, but more generally to secure growth and slow down outward migration. In this regard, there has been some attempt to involve diaspora communities in the development of formal institutions (Riddle and Brinkerhoff, 2011; Kshetri, 2013), defined as the rules and regulations governing economic activity in a country (Williams and Vorley, 2015). Similarly, informal institutions, defined as the prevailing norms and values, have also been targeted in order to enhance absorptive capacity, for example through the use of diaspora networks for business advice and mentorship (Kshetri, 2013). Involving the diaspora in policy making can be beneficial as they have the potential to act as change agents in their country of origin (Riddle and Brinkerhoff, 2011), with diasporans considered as emerging agents of development (Weinar, 2010). Kshetri (2013) examined the influence of diaspora communities on implementing institutional changes across economies and political systems, and found "top-down" approaches, for example in China with a strong state and weak civil society, imposed limitations on the political and social influences of diasporas; whereas

---

<sup>1</sup> The Transfer of Knowledge Through Expatriate Nationals (TOKTEN) was initially established by the UNDP in 1976 as one of the earliest cultural initiatives to encourage migrants to contribute their expertise for the benefit of their country of origin, and aims to counter the effects of the brain drain by matching migrants with appropriate expertise for short-term consultancy assignments in their country of origin.

India mobilised their diaspora through religious, social, economic and political associations and these gave rise to enhanced economic opportunities. Given the variety of approaches used, and different levels of engagement with the diaspora, it is important to examine the effectiveness of policy (Gamlen, 2014).

### **Diaspora and development in the Balkans**

Analysis of the effectiveness and impacts of varied diaspora policy initiatives requires that geographical dynamics are taken into account (Dickinson, 2017). At present, there is little research on the dynamics of post-conflict environments and how they seek to engage the diaspora. The wars of the 1990s led to the break-up of the former Yugoslavia and creation of a number of newly independent states. While waves of emigration began earlier, starting in 1960s in response to limited employment opportunities (FMECD, 2012; MHRR, 2016; Office of the Prime Minister, 2016), the wars accelerated the movement of people out of both countries. BiH and Kosovo suffered heavily during the wars of the 1990s (Yannis, 2009). BiH declared independence from Yugoslavia in 1992, following a bitter ethnic war. The legacy of the war is one of a divided country, and it is now home to one of the world's most complicated systems of government, which began with the Dayton Accords which ended the conflict. At the first level, there is the predominantly Bosniak Federation and the Serb dominated Republika Srpska; at the second level there are ten cantons; and at the third there are over 100 municipalities. Dayton achieved its immediate purpose of putting an end to the bloodshed, but it froze its ethnic divisions in place. Conflicts of interest have made the coordination of effective policy difficult, meaning that BiH has failed to place itself on a path toward growth and development (Cowen and Coyne, 2005). Kosovo was previously part of Yugoslavia and then Serbia, and the war served to further damage its already fragile economy (Peci et al, 2012; Vorley and Williams, 2016a). Following the continuation of political and ethnic tensions after the end of the war,

Kosovo unilaterally declared its independence as a new born state in 2008, albeit with continued tensions in parts of the country (Williams and Vorley, 2017). The country is characterised by high levels of insecurity (Hoxha, 2009) and, in common with Collier's (2007) identification of a development trap being 'landlocked with bad neighbours', it suffers from political marginalisation given that it is not recognised by some other countries including neighbouring Serbia. Montenegro was part of various Yugoslav and Balkan unions for 88 years, and maintained political ties with Serbia following the collapse of Yugoslavia. However, growing differences led to a referendum vote for independence in 2006 (Drakic et al, 2007). As such, while Montenegro felt the effects of the Yugoslav wars, this was not as pronounced as in BiH and Kosovo, although it has still seen significant emigration in recent years (FMECD, 2012). While the three countries all have large diasporas which are spread around the world, particularly in Europe and the USA, they are not homogenous. Indeed, their migration histories are different, with many Montenegrins moving to neighbouring Serbia and were the impact of war was more benign. In Kosovo and Montenegro, migration has been 'forced' as people moved in order to escape conflict. This also means that the diaspora are difficult to properly identify as they are scattered around the world, and the majority do not have formal connections to the homeland, which in turn contributes to the uncoordinated nature of policy.

As post-conflict economies, BiH, Kosovo and Montenegro all face numerous obstacles to economic and social development, and which have implications for policies targeting diaspora communities. The countries have all experienced high levels of unemployment and poverty, and low levels of growth, all of which have contributed to further migration (Krasniqi, 2007; Hoxha, 2009; MHRR, 2016). BiH's diaspora is estimated at approximately 2 million, equivalent to 53% the population (MHRR, 2016); Kosovo's diaspora is estimated at approximately 700,000 people, equivalent to 40% of the resident population (UNDP, 2014); and Montenegro's estimated at 200,000, equivalent to 32% of the population (Government of

Montenegro, 2014). In the aftermath of the wars, remittances from these diaspora communities became increasingly important to the three economies, but especially in Kosovo (Loxha, 2012; Peci et al, 2012). Around a quarter of Kosovo Albanian households receive remittances from the diaspora (Kosovo Agency for Statistics, 2013; Vorley and Williams, 2016a), totalling approximately 17% of GDP, making Kosovo one of the top 15 recipients of remittances worldwide, relative to the size of the domestic economy (UNDP, 2012). Substantial amounts of money are also poured into the economy each year through diaspora tourism, estimated at €270 million in 2012 (Kosovo Agency for Statistics, 2013). In BiH, remittances are estimated at 14% of the country's GDP, while figures for Montenegro are not currently available (FMECD, 2012). Policy related to the diaspora in each of the three countries is at something of a cross roads. In part this is due to European Union access requirements which demands greater integration of different ethnic groups both outside and within borders. Montenegro is an official candidate for accession, while BiH and Kosovo have EU accession as explicit elements of their foreign policy while not being official candidates. In addition, the policies are being driven by the acute economic, social and demographic challenges in each country which require greater levels of entrepreneurship and innovation to create jobs for current and future generations. Post-conflict economies have relatively young populations, with high levels of unemployment and low levels of entrepreneurship (Williams and Vorley, 2017), and as such many of the diaspora engagement policies are aimed at direct investment to start new businesses or to influence the entrepreneurial perceptions of the home population.

The diaspora of BiH, Kosovo and Montenegro all hold strong ties to their homeland, and are in a position to contribute to long-term economic and social development by investing its accumulated financial capital, transferring skills and facilitating links between their home country and larger foreign markets. However, the mobilisation of the diaspora to contribute to economic development is currently not reaching its potential, in part caused by a lack of

effective policy implementation and coordination. This leads to negative perceptions among the diaspora communities who view the financial risk to investments, lack of support, political fragmentation and weak institutional framework as barriers to investment (Agunias and Newland, 2012).

The three economies of BiH, Kosovo and Montenegro provide a useful comparison for policy making, having all experienced the fall of socialism, the break-up of the former Yugoslavia, conflict and violence which has led to the population displacements, and economic and demographic imbalances which have continued to creating outward migration and low growth (FMECD, 2012). The following section of the article examines the challenges of policies which seek to harness the economic potential of the diaspora communities in BiH, Kosovo and Montenegro. It shows that policy attention on the diaspora has taken different forms in each of the three economies, and that obstacles to effectively mobilising the diaspora remain.

## **ANALYSIS**

### **A framework for analysing diaspora mobilisation policy**

In order to examine diaspora policy in the Balkan economies of BiH, Kosovo and Montenegro, a framework has been established which sets out the benefits to the country of origin of mobilising diaspora communities as well as the policy challenges (Figure 1). In the case of the Balkan economies, the break-up of Yugoslavia, the wars of the 1990s and ongoing ethnic divisions created a negative impact on each of the economies (B1). While they achieved independence, each country faced significant economic challenges including ongoing migration of the skilled workforce. The negative effect caused a reduction in economic capacity, reduced investment, low levels of employment and skills, as well as a reduction in the overall workforce due to outward migration (B2). In response to this, part of the policy



approach has been a coordinated response to mobilise the diaspora to create a positive impact on the economy (B3), with the aims being to better coordinate policy, reduce the risks associated with investment, increase support, improve the institutional environment and involve the diaspora in policy making. Through the effective coordination and implementation of policy, governments are seeking to improve economic growth through increased investment and increased levels of remittances, the transfer of knowledge to the country of origin, enhancements in human and social capital, and a more skilled workforce (B4), all of which can be impacted by effective mobilisation of the diaspora and return the economies to the ‘norm’ of positive growth. Given the changing institutional environment, for example in response to external pressures or changes in government priorities, a smooth path of reform and progress cannot be guaranteed; rather the economies will fluctuate positively and negatively as policy takes shape and has an impact. However, with commitment to effective policies over time (C), economies can bypass or at least minimise shocks to the system so that beneficial impacts are secured.

INSERT FIGURE 1 ABOUT HERE

### **Public policy approaches in BiH, Kosovo and Montenegro**

The literature review demonstrates that policy approaches to mobilising the diaspora are multi-faceted and often uncoordinated and ill-defined (Gamlen, 2014). Yet at the same time, they have come to be a key part of economic and social policy in many lower income economies (Riddle and Brinkerhoff, 2011). In BiH, Kosovo and Montenegro, governments are seeking to better coordinate policy so that greater benefits can be accrued from mobilising the diaspora. Table 1 draws on the literature review of diaspora policy to show common approaches and the diaspora need or challenge they are seeking to address. It also shows how policy has developed

in BiH, Kosovo and Montenegro and emphasises the disparate nature of provision, with central provision often lacking, while attempts to broker relationships, impact perceptions and enhance emotional ties remaining under-developed. Table 1 also demonstrates how the background institutional environments have been slow to develop in each of the three countries, meaning that investment has been stymied.

#### INSERT TABLE 1 ABOUT HERE

##### Policy emphasis and coordination

Each of the BiH, Kosovar and Montenegrin governments emphasise the importance of the diaspora for development. Policy is most coordinated in Montenegro, which has a ‘Directorate for Diaspora’ falling under the Ministry of Foreign Affairs, and there is a ‘Strategy of Cooperation with Diaspora’ and a ‘Strategy for Integrated Migration Management in Montenegro’; however, these have yet to be adopted as policy (FMECD, 2012; Government of Montenegro, 2014). Despite this, Montenegro has had a number of disparate policy approaches. The ‘Register of Montenegro’s Diaspora’ represented an organised way of communication with the Montenegrin Diaspora, and the Montenegro Diaspora Centre was established in 2002 as an independent governmental body with the purpose of being the bridge for cooperation of Montenegrin emigrants from all over the world with their home country (European Commission, 2012). The Montenegro Diaspora Centre, which operates within the Ministry of Foreign Affairs, is the main institution coordinating and promoting diaspora links with their homeland. The Centre provides support in the organisation of visits of business, cultural and other delegations from emigrant destination countries to Montenegro, and also developed a ‘Fund for Diaspora’ which consists in offering loans to help diaspora members to start a small or medium-size business. However, this programme has not yet been implemented, and the Centre has had between 5 and 10 members of staff and a budget equivalent to 0.05% of the

national budget (Government of Montenegro, 2014) and as such is unlikely to produce substantial impacts. The Montenegrin government states that emigration trends mean that more needs to be done to engage members of the country's diaspora and that managing this human and intellectual potential is an essential condition for further progress and development of Montenegro (Ministry of Foreign Affairs, 2012). Translating this policy emphasis into effective action is conditional on government ministries and partner organisations working together.

The lack of policy coordination is even more pronounced in BiH and Kosovo, in part due to the ethnic divisions which are still evident in politics and geography with regards to majority Bosniak (Bosnia Federation) and majority Serb (Republika Srpska) areas in Bosnia, and majority Albanian and majority Serb parts of the country in Kosovo, and which makes policy coordination at the national level extremely challenging. While BiH does not have a dedicated policy for diaspora engagement at present, the 'Strategy on Migration and Asylum of Bosnia and Herzegovina' and its 'Action Plan 2016–2020' focuses on strengthening the institutional and policy frameworks for the purpose of linking diaspora and economic development (Ministry of Security, 2016). The Action Plan recognises the vast potential of mobilising the diaspora for development in BiH in terms of human, economic and social potential, and the willingness of migrants to help their home country. BiH is divided on ethnic lines, with diaspora policy falling under the Ministries of Displaced Persons and Refugees in the Federation, while in Republika Srpska there is less policy coordination focused on mobilising the diaspora (MHRR, 2016). In both parts of the country, the prevailing institutions can be a driving force for diaspora engagement yet 'could also be a restraining factor if they fail to engage in the country-wide policy vision setting in this area or promote all-inclusive outreach to diaspora regardless of their ethnicity' (MHRR, 2016, p. 9).

The Government of Kosovo launched a Ministry of Diaspora in 2011, which is unique among the three economies studied, but which previously existed in Serbia before being merged into the Ministry of Culture. The Ministry is responsible for coordinating efforts to work with diaspora abroad and harness their investment and involvement at home (Government of Kosovo, 2015). Despite this, no legislation has been passed to bring in direct policies to mobilise the diaspora; rather the Ministry is trying to coordinate a range of existing, disparate and small-scale activities across the country. Within these attempts, Kosovo has also started work on a ‘National Development Strategy’ (NDS) which has the strategic vision to secure the economic development of the country up to 2020, and to secure social cohesion and inclusion, and within which are policies and strategies to mobilise the activities of the diaspora to benefit the economy (Government of Kosovo, 2016). In addition, the Strategy for Diaspora 2014-2017 is a key guiding policy, which sets out the goals of supporting diaspora integration in their host countries while at the same time preserving their cultural identity and facilitating investments and transfer of skills to their home country (Office of the Prime Minister, 2016). There is however no evidence that this strategy has led to any actual changes in policy as yet. Previously, diaspora communities in Kosovo were motivated to invest in part as a reaction against Serbian rule (Office of the Prime Minister, 2016). With independence from Serbia, Kosovo still experiences ethnic divisions, especially in the north of the country which is majority Serb, and political challenges associated with inclusivity remain. This means that diaspora investment is “highly fragmented along political and ideological lines” (Office of the Prime Minister, 2016, p. 10).

In addition to the complex governance arrangements in BiH and Kosovo, and more unified arrangements in Montenegro, economic and social policy in the three economies is also influenced by EU accession ambitions. As Montenegro is an official candidate for EU accession, while BiH and Kosovo have EU accession as explicit elements of their foreign

policy while not being official candidates, this could be expected to have an impact on diaspora policy. BiH's 'Reform Agenda 2015-2018' confirms the EU accession trajectory of policy, and has incorporated the submission of a formal application for launching negotiations with the EU (Efendic et al, 2014). Kosovo's NDS is also explicit about policy being in harmony with EU integration processes, although it is non-specific about what this means in practice for diaspora policy. In Montenegro, a more explicit EU influence on policy is found. From 2008, Montenegro has had access to the 'Instrument for Pre-Accession Assistance' and has received over €300 million in funding, making it the country with the largest European aid per citizen in the Western Balkan region (European Commission, 2012). Despite this, the 'Indicative Strategy Paper' which sets out the EU's accession requirements makes no mention of the role of diaspora communities, and only discusses migration in the context of inflows to the country (European Commission, 2014). As such, despite significant external involvement in economic and social policy making in the Balkans following the break-up of the former Yugoslavia (Xheneti et al, 2013), this has not filtered down into diaspora policy despite its potential to have a significant impact on development, and the fact that many of the Balkan diaspora reside in EU countries.

#### Improving the institutional environment

As is clear, there is lack of policy coordination in BiH, Kosovo and Montenegro which will undermine efforts to mobilise the diaspora. However, there have been significant changes in the institutional frameworks of each economy. The three countries have experienced major disruption to their political and economic landscapes following the wars and break-up of Yugoslavia, akin to what Acemoglu and Robinson (2012) describe as 'critical junctures' in development. Despite the numerous challenges, this has created the opportunity for positive reforms, with ensuring the rule of law (Estrin et al, 2016), as well as the expectations that

institutions are stable to ensure legitimacy and compliance (Crawford and Ostrom, 1995) of critical importance, especially in post-conflict environments (Nielsen and Riddle, 2010).

In post-conflict economies the environment for doing business can be adverse and is typically characterised by weak formal institutions and poor enforcement of laws, regulations and property rights (Hoxha, 2009; Nielsen and Riddle, 2010; Welter and Smallbone, 2011). In situations where the diaspora view the institutional environment as challenging, for example through exhibiting political instability, corruption and weak legal protection, investment will be discouraged (Kosmo and Nedelkoska, 2015). The economies of BiH, Kosovo and Montenegro face similar challenges to transition economies, as they have moved from a centrally planned economic system under the former Yugoslavia to a market based economy, which has meant a changing environment for economic activity (Vorley and Williams, 2016a). Yet these economies are in many ways distinct from transition economies, as they have been required to create institutions that did not exist previously at the national level of BiH, Kosovo and Montenegro. The institutions of the former Yugoslavia have not been transferred to the new born states as they have sought to move away from centrally planned economies and associations with the political past. This has provided an impetus for reform, with much economic development policy implanted from Western economies with little consideration of local conditions (Williams and Vorley, 2017). In addition, the conflicts created considerable outward migration which policy makers have responded to with a range of policies designed to encourage investment in the homeland.

In BiH, Kosovo and Montenegro, diaspora investment is stymied by institutional challenges, particularly the financial risks to investment, poor flow of information and facilitation of services, mistrust in the country's institutions and the collective action problem caused by political fragmentation (MHRR, 2016; Office of the Prime Minister, 2016). Table 2 sets out key measures of the quality of institutions in the three countries, and compares these

with other Balkan economies. The table shows that BiH has the weakest environment for doing business; yet in all three economies there are significant issues in terms of dealing with permits and contracts, and perceptions of corruption are generally negative. Such weak institutional environments will act as barrier to indigenous entrepreneurship, but will also deter foreign investors including the diaspora (Riddle and Nielsen, 2011). Only one of the three countries (Kosovo), has a ministry dedicated to diaspora support and engagement. In B&H and Montenegro there is no central department with overall control of policy, and governance is often split along ethnic divides. Even Montenegro, which has the simplest form of governance, is described as having a “lack of administrative capacity and fragmentation ... [which] impedes policy at times” (Government of Montenegro, 2014, p. 14).

INSERT TABLE 2 ABOUT HERE

Each of the country’s key policy documents highlight that institutional arrangements are ineffective and needs to be redesigned through centralised services as well as specific support programmes. While much of the institutional development in each of the countries is not specific to attracting diaspora investment, as the focus in post-conflict environments is often on improving the general institutional framework (Nielsen and Riddle, 2010), there have been diaspora-specific institutional changes in each economy. The policy documents make clear that the critical aspects of these are the extension of support services and communication of what is available to the diaspora (MHRR, 2016; Office of the Prime Minister, 2016). Diaspora specific programmes demonstrate that activities are taking place, albeit in a piecemeal and highly dispersed way. BiH took part in the TOKTEN scheme, which received a great deal of government exposure as part of efforts to encourage highly qualified members of the diaspora living abroad to undertake short term consultancy contracts in their home country, and in total 32 consultants worked with local institutions (Efendic et al, 2014). In addition, BiH

has had the 'Re-Connect' scheme, which involved the transfer of knowledge and skills from young BiH diaspora to re-engage with their native country and to help the country's development, and other programmes include Domestic Product Promotion Alliance, a programme in which members of the diaspora are required to invest in production in BiH and to support national companies to compete more successfully in international markets; BiH Students which involves the exchange of ideas and information flows between students inside and outside the Country; the Reconstruction, Capacity Building and Development through the return of qualified nationals; and the Temporary Return of Qualified Nationals (Efendic et al, 2014). At present, despite the Ministry for Diaspora and NDS, Kosovo has no central, coordinated approach to mobilising the diaspora; however it does have a number of planned activities as part of its strategic vision. These include the organisation of regular diaspora business fairs, conferences and forums, agreements with diaspora host countries on issues such as avoidance of double taxation, protection of investments and issuance of investment guarantees by the Kosovo government; the provision of tax breaks and other financial incentives on imports, and the establishment of a digital network, which it is hoped will assist in mapping the locations of the diaspora and understanding their motivations more clearly (Government of Kosovo, 2015, 2016). In addition, there are strategic plans to induce more diaspora investments, including an International Guarantee Fund (IGF), Private Investment Fund, Diaspora Banking Products, Economic Zones and Municipal Bonds, although some of these are planned to operate at a municipal level rather than nationally (Office of the Prime Minister, 2016). The NDS specifies how new 'concrete activities' are required to ensure that the impact of the diaspora is maximised (Government of Kosovo, 2016, p. 16). Similar to Montenegro's 'Register of Montenegro's Diaspora', the NDS states that a database needs to be established to provide a central contact point to engage with the diaspora, that a Homeland Engagement Programme should be established which will allow the short-term deployment of



diaspora experts and students in public, education and private companies through subsidies, and that a TOKTEN scheme needs to be established (Government of Kosovo, 2016). In addition, Kosovo will become part of the Expert Return Programme introduced by the German government, which will allow short-term deployment of diaspora experts in Kosovo (Government of Kosovo, 2016).

The lack of central coordination of diaspora policy and intervention does not mean that support is entirely absent. In fact, support does exist but is disparate, with different localities offering support, for example through Chambers of Commerce, Councils or non-governmental organisations (FMECD, 2012). The disparate nature of interactions is emphasised in Kosovo's NDS, which states that there is a need for a transition from the diaspora's role as a "traditional and spontaneous role as an emergency financial lifeline", a role in which they feel "increasingly frustrated and even abused", to one where "its resources are used more strategically for long-term development purposes" (Office of the Prime Minister, 2016, p. 7). There are numerous connections at the local level through homeland villages links to the diaspora abroad (FMECD, 2012), yet engagement in such disparate provision will be mixed, with diaspora members often relying on philanthropic intermediaries to channel donations to specific community projects in their home country or give directly to family and friends (Agunias and Newland, 2012). Furthermore, the uncoordinated nature of support impacts on diaspora perceptions of the 'readiness' of economies to engage in their expertise and foster investment (Kosmo and Nedelkoska, 2015), and will thus undermine the willingness of the diaspora to invest in their home country (Gillespie et al, 1999). In order to overcome these barriers, each of the main policy documents in BiH, Kosovo and Montenegro communicate the importance of 'one-stop shops, providing the diaspora with a centralised and visible focus for accessing support and channelling investments. Yet despite this emphasis, potential diaspora investors often need more than just access to market and operational

information that such provision offers. As Nielsen and Riddle (2010) note, they need trustworthy, reliable contacts, including key government officials, bankers, buyers, suppliers, distributors, management and tax consultants, and individuals and organizations who can assist the diaspora with her/his human resource management, marketing, and legal needs. As such, one-stop shops are often insufficient in mobilising investment.

The analysis of policy reports demonstrates how institutional environments in the three economies of BiH, Kosovo and Montenegro have changed considerably since independence, and that diaspora policies are being fore-fronted as part of formal institutional changes. This is of critical importance in persuading the diaspora that stable environments exist in each country which minimises risk, so that the perceptions improve and with it investment is encouraged.

#### Transfer of knowledge to entrepreneurs and policy makers

The disparate nature of current policy activity means that a crucial benefit of diaspora investment, the transfer of knowledge, is not being adequately harnessed. The policy initiatives demonstrate that a key aim of attempts to mobilise the diaspora is for the home country to benefit from transfers of knowledge. Diaspora investment leads to transfers of knowledge which can impact on working practices and entrepreneurial activity in the country of origin (Riddle et al, 2010; Levin and Barnard, 2013; World Bank, 2016). Cultural knowledge can place the diaspora at an advantage in terms of investment opportunities (Vershina et al, 2011). In addition, it can lead to enhancements in human and social capital, and improvements in skills, among the population in the country of origin working with or receiving remittances from the diaspora. Yet, moreover, the transfer of knowledge can also directly influence policy making, allowing governments to make better decisions about how to effectively engage the diaspora.

In Montenegro, government intervention is under-developed in terms of transfer of knowledge to policy makers. The policy focus with regards to transfers has been on promoting higher levels, and more efficient administration, of remittances (European Commission, 2012). While important, improvements in this area lie mainly in the hands of financial institutions and transfer agencies in the private sector and have not led to enhancement of policy. Effective engagement with the diaspora to inform policy has been absent. However, the government has recently established a ‘Council for Cooperation with Diaspora Members’, which has been passed into law (Government of Montenegro, 2016). The Council is made of 77 members, representing various different institutions from government departments, municipalities, embassies, Chambers of Commerce, and representative organisation from different ethnic groups. The Council will aim to cooperate more effectively with the diaspora, partly through securing their involvement in an intergovernmental commission for economic cooperation as well as arranging various local level support activities and awareness-raising of opportunities. While the impacts of the Council remain to be seen, it does represent a step forward in involving diaspora in policy making, and should ensure that the ineffective implementation of previous cooperative measures (European Commission, 2012) is, at least partly, overcome.

In BiH government agencies have struggled to engage the diaspora in policy making. As such, they have not stimulated the diaspora’s sense of belonging and connectivity (MHRR, 2016). This is despite the implementation of the TOKTEN programme, which, while recognised as an effective policy lever (International Labour Organisation, 2001), did not create wider and more lasting transfers of knowledge. Indeed, policy documents demonstrate that there is a lack of institutional capacity for more active diaspora engagement in government decision making, which is ‘primarily reflection of the complex administrative, economic and political environment in BiH, further challenged with a lack of institutional cooperation, and a consequent lack of knowledge about the relationship between diaspora and development

(Efendic et al 2014). Similarly, Kosovo's NDS states that there are currently no mechanisms to ensure diaspora involvement in decision-making, as the diaspora has "no voice in government" and "policies too strongly driven by governments can act as a deterrent for diaspora engagement" (Office of the Prime Minister, 2011, p. 11). This reduces the diaspora's trust in policy making, and given that a sense of belonging is important to securing diaspora investment (Nielsen and Riddle, 2010), means that it will not be mobilised. The NDS is clear that there are 'no specific plans in place' to address this issue and notes that developments in this are 'largely dependent on high-level political processes, such as coalition agreements, in which political considerations play a greater role than strategic policy ones' (Office of the Prime Minister, 2016, p. 12). There are plans to increase the voice of the diaspora, as integration can lead to policy being more informed (De Haas, 2010), by creating opportunities for it vote abroad, although this would only have a small and relatively insignificant influence on diaspora related policy. BiH has a 'Party of the Bosnia and Herzegovina Diaspora' which states its aim to politically organize the diaspora and to contribute to the development of the country, and are making efforts to ensure the right to vote for returnees, internally displaced persons and the diaspora in their places of pre-war residence (Efendic et al, 2014). However, their influence is small, having failed to win any national seats and did not participate in local elections.

The importance of transfer of knowledge demonstrates how the impacts of diaspora on their home country are multi-faceted. Diaspora policy is not narrowly focused on securing higher levels of remittances or the return home of skilled workers and entrepreneurs. Rather, it is seeking to involve the diaspora in a wide range of economic and social interventions, and part of the strategy for doing so is to involve them in decision making. As diaspora communities have the potential to act as change agents in their country of origin (Riddle and Brinkerhoff, 2011), involving them in decision making can lead to institutional improvements as it generates trust and ownership (Agunias and Newland, 2012), which in turn can trigger a demonstration

effect which positively influences the economic activity of other diaspora members as well as individuals within the home country.

## **CONCLUSIONS**

This article examines the development of policies which seek to mobilise the potential of diaspora investment in their home countries. There is currently a paucity of research which seeks to compare policy approaches to mobilising the diaspora (Gamlen, 2014) and as such this article aims to fill this gap through a focus on post-conflict economies. The paper recognises that engagement of diasporans is not always ‘win-win’ (Pellerin and Mullings, 2013) and there are distinct challenges for policy makers in ensuring that it impacts positively on economic development. However, in economies with weak institutional environments which may deter foreign investment, as well as histories of conflict and associated migration flows, the potential for effective engagement of the diaspora merits close examination.

The framework presented in Figure 1 demonstrates how policy makers in post-conflict economies are faced with the challenge of mobilising diaspora as a result of shocks to their economy which has increased outward migration and undermined growth. In the case of the Balkan economies, this shock was created by the break-up of the former Yugoslavia, the wars of the 1990s and their legacy, and challenges associated with independent national status, all of which have created ongoing outward migration which has reduced economic capacity. Different shocks will create negative impacts in other economies, yet the challenges of mobilising the diaspora remain the same. Given the economic, social and demographic challenges in each of these post-conflict economies, diaspora policy has the potential to contribute significantly to development, especially given that diasporas may be driven to invest through emotional ties and a ‘country-of-origin bias’ (Nielsen and Riddle, 2010). If the Balkan economies are to return to the ‘norm’ of growth, and thus overcome numerous economic and

social challenges facing them, then increased diaspora investment and involvement in policy making is required.

The analysis shows that mobilising the diaspora is a central strategic priority for economic development in each of the economies, in part due to the influence of EU policy requirements but also in response to acute economic and demographic challenges in each of the economies. Despite this, strategic vision has not translated into policy practice, and as such the potential importance of the diaspora to Bosnia, Kosovo and Montenegro is currently underdeveloped and characterised by a lack of coordination, in part due to ongoing political fragmentation. In one sense, this is understandable given the wide range of economic and social challenges policy makers have had tackled in these post-conflict, new born environments. Yet all three countries are currently aiming to develop more coherent and coordinated diaspora policies. As the majority of policies to promote investment and entrepreneurship only see impacts in the long term (Huggins and Williams, 2009), such coordinated efforts need to be maintained. At the same time, the fact that the connectivity to their homeland of diasporas weakens over time means that there is a pressing need for effective, coordinated policy now (Riddle and Brinkerhoff, 2011). In many ways, policy coordination is simpler in Montenegro, as it has a less complex system of governance and less ethnic division. The divide between Republika Srpska and the Bosniak Federation in Bosnia, and majority Albanian and majority Serb areas of Kosovo mean that coordination is hampered by inter-governmental and inter-departmental challenges. Yet the analysis shows that even in Montenegro, where policy is relatively more coordinated, the potential impacts of diaspora engagement are being undermined by a lack of resources devoted to support and facilitation.

Improving the institutional environment is important for securing economic development, and is a significant focus of government efforts in post-conflict environments (Nielsen and Riddle, 2010). Institutional improvements which enhance economic activity

within the country, for example by making business start-up simple and inexpensive, ensuring that laws are followed, corruption is tackled, and that positive perceptions of entrepreneurship are promoted (Vorley and Williams, 2016b), will also enhance investment from diaspora entrepreneurs as it will reduce risk. The institutional framework climate in post-conflict economies may prove daunting for even experienced and well connected diaspora investors since the environment is dynamic (Nielsen and Riddle, 2010). However, while important in fostering a growing economy, these general institutional improvements are not sufficient if diaspora communities are to be mobilised effectively for the benefit of their country of origin. A more proactive and coordinated programme of provision and advice is required to educate diasporas about policy developments and opportunities within countries, and to provide more holistic support which encompasses a wide range of business barriers.

The disparate nature of provision which currently exists means that the mobilisation of diaspora investment is not being maximised. While the flow of remittances, which play a significant role in the economies of the Balkans, demonstrates that diaspora connections are in place, the spillover effect produced by the transfer of knowledge (Riddle and Brinkerhoff, 2011) is not being adequately harnessed. Individual family members who receive remittances benefit, and this may be utilised for economic activity, but the impact is highly localised. Centralised approaches to policy can help to ensure that the transfer of knowledge is maximised both for the individuals involved (both the diaspora and those receiving investment), but also that the knowledge from this can be shared and put into practice in other contexts. Crucially, there needs to be greater involvement of the diaspora in policy decision making in BiH, Kosovo and Montenegro. At present, while governments in the three countries are eager to improve their relationship with the diaspora, there is a lack of real engagement and consultation around policy making, meaning that participation and shaping of the policy agenda, which can be important in mobilising the diaspora (De Haas, 2010) is not occurring. The transfer of

knowledge from diaspora to policy makers is not currently effective, and this is emphasised by the slow development of policy in each of the economies studied. While the Montenegro's 'Council for Cooperation with Diaspora Members' represents a step forward, its success remains to be seen; while in BiH and Kosovo there are no effective mechanisms for involving the diaspora and engendering ownership and trust. Schemes such as TOKTEN have some value, and provide a guide to policy makers for implementation, but need to be further embedded and extended given its focus on short term engagement, if they are to have wider impact. Akin to other areas of public policy, such as entrepreneurship and economic development, the Balkan economies can seek to adopt policy from elsewhere and transfer it to a new context (Xheneti and Kitching, 2011). Programmes such as TOKTEN can be replicated and learnt from, and the application of this learning will enhance attempts to mobilise the diaspora; however policy makers in BiH, Kosovo and Montenegro need to do much more to learn from successful implementation, especially in their neighbouring countries.

In terms of future research there is much this study suggests for analysing diaspora focused policy. For example, what are the long term impacts of policies which seek to mobilise the diaspora? What are the impacts of the transfer of knowledge of the diaspora communities to their country of origin on work practices and entrepreneurial outcomes? Finally, the environment within which diaspora investment takes place is important and so future research could different forms of shock (for example, economic crises) which create new waves of outward migration.

## **References**

- Acemoglu D and Robinson JA (2012) *Why nations fail: The origins of power, prosperity and poverty*. London: Profile Books.
- Agunias DR and Newland K (2012) *Developing a Roadmap for Engaging Diasporas for Development: A Handbook for Policy Makers and Practitioners in Home and Host Countries*. Geneva: International Organization for Migration.



- Bagwell S (2015) Transnational Entrepreneurship amongst Vietnamese Businesses in London. *Journal of Ethnic and Migration Studies* 41(2): 329-349
- Bakewell, O. (2008) In search of the diasporas within Africa. *African Diaspora*, 1, 5-27
- Baycan-Levent T and Nijkamp P (2009) Characteristics of migrant entrepreneurship in Europe. *Entrepreneurship and Regional Development* 21(4): 375-397.
- Brinkerhoff J (2009) *Digital diasporas: Identity and transnational engagement*. Cambridge: Cambridge University Press
- Clemens, M. A., Özden, Ç., & Rapoport, H. (2014). Migration and Development Research is Moving Far Beyond Remittances. *World Development*, 64121-124.
- Collier P (2007) *The Bottom Billion: Why the poorest countries are failing and what can be done about it*. Oxford: Oxford University Press.
- Cowen T and Coyne C (2005) Postwar reconstruction: Some insights from public choice and institutional economics. *Constitutional Political Economy* 16(1): 31-48
- Crawford SE and Ostrom E (1995) A grammar of institutions. *The American Political Science Review* 89(1): 582-600.
- De Haas H (2010) Migration and development: A theoretical perspective. *International Migration Review* 44: 227–264
- Dickinson J. (2017) The political geographies of diaspora strategies: Rethinking the ‘sending state’. *Geography Compass*, DOI: 10.1111/gec3.12305
- Drakic M Sautet F and McKenzie K (2007) *Montenegro: The challenges of a newborn state*. Fairfax, VA: Mercatus Center.
- Efendic A Babic B and Rebmann A (2014) *Diaspora and development in Bosnia and Herzegovina*. Sarajevo: Embassy of Switzerland in Bosnia and Herzegovina.
- Elo M and Jokela P (2014). Social ties, Bukharian Jewish diaspora and entrepreneurship: narratives from entrepreneurs. In: Rapoo C, Coelho ML and Sarwar Z (eds) *New perspectives in diaspora experience*. Oxford: Inter-Disciplinary Press.
- Elo, M. and Riddle L. (2016) *Diaspora Business*. Oxford: Interdisciplinary Press
- Estrin S Mickiewicz T and Stephan U (2016) Human capital in social and commercial entrepreneurship. *Journal of Business Venturing* 31(4): 449-467.
- European Commission (2012) *Social impact of emigration and rural-urban migration in Central and Eastern Europe: Final Country Report Montenegro*. Brussels: European Commission.
- European Commission (2014) *Instrument for Pre-Accession Assistance (IPA II) Indicative Strategy Paper for Montenegro, 2014-2020*. Brussels: European Commission.
- Faist T (2008) Migrants as transnational development agents: an inquiry into the newest round of the migration-development nexus. *Population, Space and Place* 14(1): 21–42
- Federal Ministry for Economic Cooperation and Development (2012) *Analysis of migration strategies in selected countries*. Berlin: FMECD.
- Gamlen A (2006) *Diaspora engagement policies: What are they and what kinds of states use them?* WP-06-32. Oxford: Centre on Migration, Policy, and Society.
- Gamlen A (2014) *Diaspora institutions and diaspora governance*. *International Migration Review* 48(1): 180-217
- Gillespie K Riddle L Sayre E and Sturges D (1999) *Diaspora Interest in Homeland Investment*. *Journal of International Business Studies* 30(3): 623-634.
- Gillespie K Sayre E and Riddle L (2001). *Palestinian interest in homeland investment*. *Middle East Journal* 55(2): 237–255.
- Government of Kosovo (2015) *Programme of the government of the Republic of Kosovo 2015-2018*. Pristina: Government of Kosovo.
- Government of Kosovo (2016) *National Development Strategy 2016-2021*. Pristina, Kosovo.

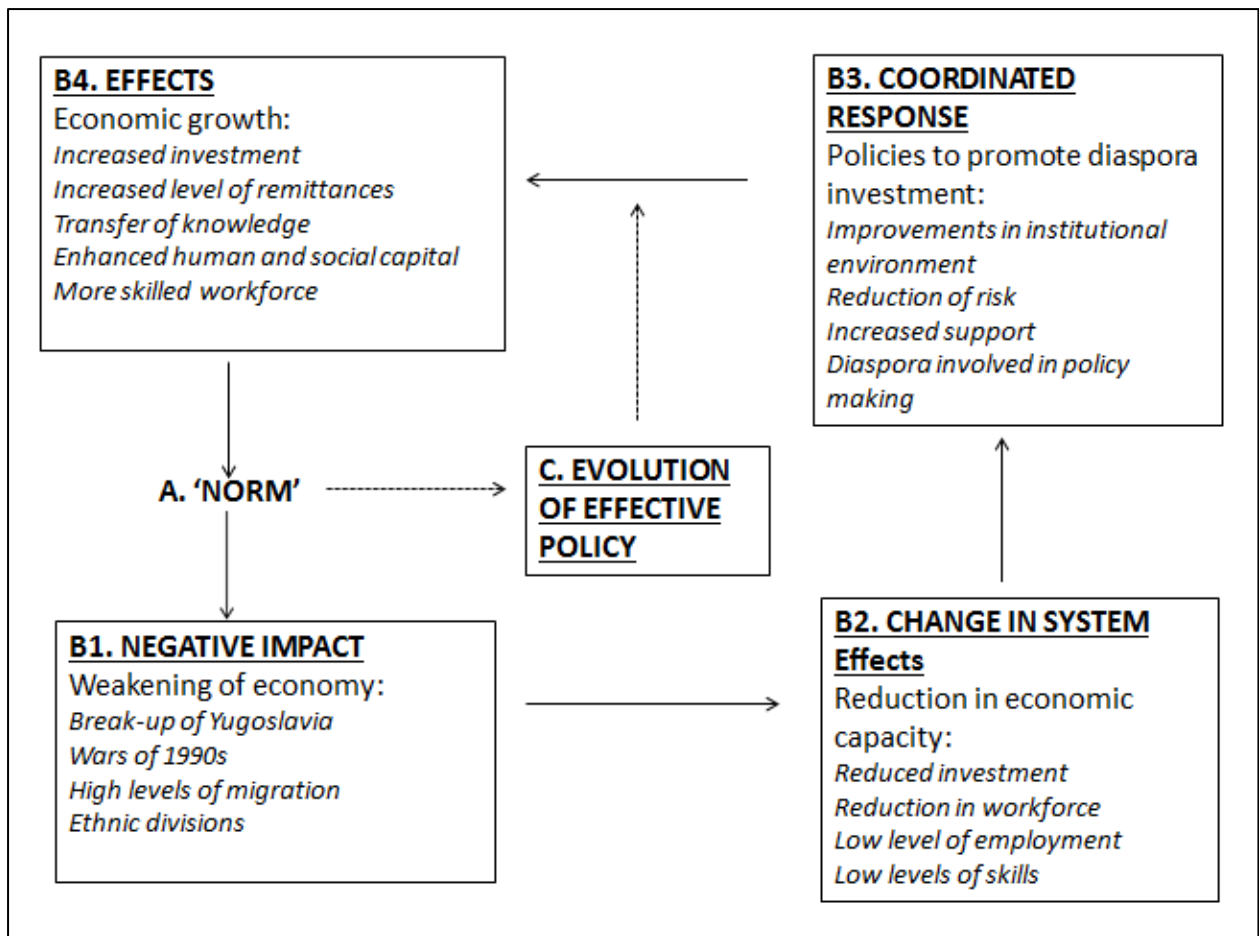
- Government of Montenegro (2014) Analytical study of Montenegrin diaspora. Podgorica: Government of Montenegro.
- Government of Montenegro (2016) Action plan implementation strategy for cooperation with emigrants. Podgorica: Government of Montenegro.
- Graham, B.A.T. (2014) Diaspora-owned firms and social responsibility. *Review of International Political Economy* Vol. 21: 432-466.
- Ho E.L.E. (2011) 'Claiming' the diaspora: Elite mobility, sending state strategies and the spatialities of citizenship. *Progress in Human Geography* 35(6): 757-772.
- Hoxha D (2009) Barriers to doing business in Kosova: an institutional approach. *International Journal on Entrepreneurship and Small Business* 8(2): 186-99.
- Huggins R and Williams N (2009) Enterprise and public policy: a review of Labour government intervention in the United Kingdom. *Environment and Planning C: Government and Policy* 27(1): 19-41
- International Labour Organization (2001) Policy responses to the international mobility of skilled labour. Geneva: ILO.
- Kitching J Smallbone D and Athayde R (2009) Ethnic diasporas and business competitiveness: Minority-owned enterprises in London. *Journal of ethnic and migration studies* 35(4): 689-705
- Kosmo M and Nedelkoska L (2015) Albanian-American diaspora survey report. Center for International Development. Boston: Harvard University.
- Kosovo Agency for Statistics (2013) Study on Remittances 2013. Pristina: KAS.
- Krasniqi BA (2007) Barriers to entrepreneurship and SME growth in transition: The case of Kosova *Journal of Developmental Entrepreneurship* 12(1): 71-94
- Kshetri N (2013) The diaspora as a change agent in entrepreneurship-related institutions in sub-saharan Africa. *Journal of Development Entrepreneurship* 18(3): 1-27.
- Kuznetsov YN (2006) Diaspora networks and the international migration of skills: How countries can draw on their talent abroad. Washington, DC: The World Bank.
- Lassman A and Busch C (2015) Revisiting native and immigrant entrepreneurial activity. *Small Business Economics* 45(4): 841-873
- Levin DZ and Barnard H (2013) Connections to distant knowledge: Interpersonal ties between more and less developed countries. *Journal of International Business Studies* 44(7): 676-698
- Loxha, A. (2012) Economic Development. Pristina: UNDP.
- Martinez C Cummings ME and Vaaler PM (2015) Economic informality and the venture funding impact of migrant remittances to developing countries. *Journal of Business Venturing* 30(4) 526-545.
- Mayer SD Harima A and Freiling J (2015) Network Benefits for Ghanaian Diaspora and Returnee Entrepreneurs. *Entrepreneurial Business and Economics Review* 3(3): 95-122.
- Ministry for Human Rights and Refugees of Bosnia and Herzegovina (2016) Diaspora and Development of Bosnia and Herzegovina. Sarajevo: MHRRBH.
- Ministry of Foreign Affairs (2012) Statistical data on emigrations from Montenegro in the 2<sup>nd</sup> half of the 20<sup>th</sup> century. Podgorica: Ministry of Foreign Affairs.
- Ministry of Security (2016) Strategy in the area of migrations and asylum and Action Plan for the Period 2016-2020. Sarajevo: Ministry of Security.
- Mohan G (2006) Embedded cosmopolitanism and the politics of obligation: The Ghanaian diaspora and development. *Environment and Planning A*, 38(5): 867-883.
- Moran, T. H. (1998) Foreign Direct Investment and Development: The New Policy Agenda for Developing Countries and Economies in Transition. Washington DC: Institute for International Economics.

- Mullings B (2011) Diaspora strategies, skilled migrants and human capital enhancement in Jamaica. *Global Networks* 11(1): 24–42.
- Neal S Bennett K Cochrane A and Mohan G (2013) Living multicultural: Understanding the new spatial and social relations of ethnicity and multicultural in England. *Environment and Planning C: Government and Policy* 31(2): 308-323.
- Newland K and Tanaka H (2010) *Mobilizing Diaspora Entrepreneurship for Development*. USAID Migration Policy Institute.
- Nkongolo, J and Chrystostome, E.V. (2013) Engaging diasporas as international entrepreneurs in developing countries: In search of determinants. *Journal of International Entrepreneurship*, 11, 30-64
- Nielsen TM and Riddle L (2010) Investing in peace: The motivational dynamics of diaspora investment in post-conflict economies. *Journal of Business Ethics* 89(4): 435-448.
- Office of the Prime Minister (2016) *Mobilizing the diaspora for development: Policy note underpinning the NDS elaboration process*. Strategic Planning Office of the Office of the Prime Minister, Pristina, Kosovo.
- Oettl A and Agrawal A (2008) International labor mobility and knowledge flow externalities. *Journal of International Business Studies* 39(8): 1242–1260.
- Ojo S Nwankwo S and Gbandamosi A (2013) African diaspora entrepreneurs. Navigating entrepreneurial spaces in ‘home’ and ‘host’ countries. *Journal of Entrepreneurship and Innovation*. 14(4): 289-299.
- Patel PC and Conklin B (2009) The Balancing Act: The Role of Transnational Habitus and Social Networks in Balancing Transnational Entrepreneurial Activities. *Entrepreneurship Theory and Practice* 33(5): 1045–1078.
- Peci F Kutllovci E Tmava Q and Shala V (2012) Small and Medium Enterprises Facing Institutional Barriers in Kosovo. *International Journal of Marketing Studies*, 4(1) 95-107.
- Pellerin, H. and Mullings, B (2013) The ‘Diaspora option’, migration and the changing political economy of development. *Review of International Political Economy*, 20:1, 89-120
- Ram M and Jones T (2008) Ethnic-minority businesses in the UK: a review of research and policy developments. *Environment and Planning C: Government and Policy* 26(2): 352-374.
- Ram M Theodorakopoulos N and Jones T (2008) Forms of capital, mixed embeddedness and Somali enterprise. *Work, Employment and Society* 22(3): 427-446
- Riddle L and Brinkerhoff J (2011) Diaspora entrepreneurs as institutional change agents: The case of Thamel.com. *International Business Review* 20(6): 670–680
- Riddle L Brinkerhoff JM and Nielsen TM (2008) Partnering to Beckon Them Home: Public-Sector Innovation for Diaspora Foreign Investment Promotion. *Public Administration and Development* 28(1): 54-66.
- Riddle L Hrivnak GA and Nielsen TM (2010) Transnational diaspora entrepreneurship in emerging markets: Bridging institutional divides. *Journal of International Management* 16(4): pp.398-411
- Riddle, L. and Nielsen, T.J. (2011) Policies to strengthen diaspora investment and entrepreneurship: Cross-national perspectives. In Kashyap, A. Montes, M. and Sharma, K. (eds) *Realizing the potential of diasporas to reduce poverty and enhance development*. New York: United Nations Publications.
- Safran W (1991) Diasporas in modern societies: Myths of homeland and return. *Diaspora*, 1(1): 83–99.
- Saxenian A (1999) *Silicon Valley’s New Immigrant Entrepreneurs*. Available at <http://www.ppic.org/publications/PPIC120/index.html>

- Simmie J and Martin R (2009) The Economic Resilience of Regions: Towards an Evolutionary Approach. *Cambridge Journal of Regions, Economy and Society* 3(1): 27–43.
- Sinatti, G. and Horst, C. (2015) Migrants as agents of development: Diaspora engagement discourse and practice in Europe. *Ethnicities* 15(1): 134-149
- Smallbone D Kitching D and Athayde R (2010) Ethnic diversity, entrepreneurship and competitiveness in a global city. *International Small Business Journal*, 28(2): 174-190.
- Stark O (2004) Rethinking Brain Drain. *World Development* 32(1): 15–22.
- Tonoyan V Strohmeier R Habib M and Perlitz M (2010) Corruption and entrepreneurship: How formal and informal institutions shape small firm behavior in transition and mature market economies. *Entrepreneurship Theory and Practice* 34(5): 803-832
- Turnock D (2001) Location trends for Foreign Direct Investment in East Central Europe. *Environment and Planning C: Government and Policy* 19(6): 849-880.
- United Nations Development Programme (2012) Kosovo Remittance Study 2012. Pristina: UNDP.
- United Nations Development Programme (2014) Kosovo Human Development Report 2014: Migration as a Force for Development. Pristina: UNDP.
- Vaaler PM (2013) Diaspora concentration and the venture investment impact of remittances. *Journal of International Management* 19(1): 26-46.
- Van Delft H Gorter C and Nijkamp P (2000) In search of ethnic entrepreneurship opportunities in the city: a comparative policy study. *Environment and Planning C: Government and Policy* 18(4): 429-451
- Vershinina N Barrett R and Meyer M (2011) Forms of capital, intra-ethnic variation and Polish entrepreneurs in Leicester. *Work, Employment and Society* 25(1): 101-117.
- Vorley T and Williams N (2016a) Fostering Entrepreneurship and Economic Growth: Pathways to Economic Resilience in Kosovo. *World Review of Entrepreneurship, Management and Sustainable Development*, 13(2/3), 159-177
- Vorley T and Williams N (2016b) Between petty corruption and criminal extortion: How entrepreneurs in Bulgaria and Romania operate within a devil’s circle. *International Small Business Journal* 34(6), 797-817F
- Wang Q and Liu CY (2015) Transnational activities of immigrant-owned firms and their performances in the USA. *Small Business Economics* 44(2): 345-390.
- Weinar, A. (2010) Instrumentalising diasporas for development: International and European policy discourses. In: Baubock, R, Faist, T. (eds) *Diaspora and Transnationalism: Concepts, Theories and Methods*. Amsterdam: Amsterdam University Press.
- Welter F and Smallbone D (2011) Institutional perspectives on entrepreneurial behaviour in challenging environments. *Journal of Small Business Management* 49(1): 107-125.
- Williams N and Vorley T (2014) Economic Resilience and Entrepreneurship: Lessons from the Sheffield City Region. *Entrepreneurship and Regional Development* 26(3-4): 257-281.
- Williams N and Vorley T (2015) Institutional asymmetry: How formal and informal institutions affect entrepreneurship in Bulgaria. *International Small Business Journal* 33(8): 840-861
- Williams, N. and Vorley, T. (2017) Creating institutional alignment and fostering productive entrepreneurship in new born states. *Entrepreneurship and Regional Development*, Online first, DOI: 10.1080/08985626.2017.1297853
- World Bank (2016) *Migration and Development*. Washington, DC: World Bank.

- Xheneti M and Kitching J (2011) From discourse to implementation: enterprise policy development in postcommunist Albania. *Environment and Planning C: Government and Policy*, 29(6) 1018-1036.
- Xheneti M Smallbone D and Welter F (2013) EU enlargement effects on cross-border informal entrepreneurial activities. *European Urban and Regional Studies* 20(3): 314-328
- Yannis A (2009) The politics and geopolitics of the status of Kosovo: the circle is never round. *Southeast European and Black Sea Studies* 9(1/2): 161-170

**Figure 1: Feedback loops created by shock, outward migration and policy response**



**Table 1: Government policy in strengthening diaspora investment and entrepreneurship**

Government role	Diaspora need/challenge	Case study policies		
		BiH	Kosovo	Montenegro
Central focus of policy and support	Requirement of political support and political commitment to diaspora over time	No Ministry; provision fragmented	Dedicated Ministry of the Diaspora; yet policy slow to develop	No Ministry, but Directorate for Diaspora; lack of political commitment and administrative capacity
Provision of information	Lack of information regarding investment opportunities Difficulties navigating institutional challenges	Inconsistency of information between Federation and Republika Srpska	Establishment of digital network	'Register of Montenegro's Diaspora' and 'Montenegro Diaspora Centre'; although both have limited resources
Brokering relationships	Difficulties identifying suitable contacts to assist with entrepreneurial development	Previously involved in TOKTEN scheme; 'Re-connect Scheme' to engage in economic activity	Homeland Engagement Programme to allow short term deployment of diaspora experts proposed but not operational; to become part of Expert Return Programme run by German government	'Register of Montenegro's Diaspora' to enhance networks
Impacting perceptions	Concerns about risks associated with investment Fears regarding property and other legal rights	Institutional reforms to encourage investment have been slow; Negative perceptions of risk still common	Institutional reforms to encourage investment have been slow; Policy emphasizes that diaspora have been seen as 'emergency financial lifeline' with little done to impact long term perceptions	Institutional reforms to encourage investment have been slow; Negative perceptions of risk common although improving

Enhancing emotional ties	Lack of feeling of belonging (especially second generation)	'Party of the Bosnia and Herzegovina Diaspora' to engage diasporans in political process	Plans to involve diasporans in political process; motivation to invest as protest against (previous) Serbian rule and now Serbian opposition to independence	'Council for Cooperation with Diaspora Members' to promote links to the homeland
--------------------------	---	--	--	--

Table 2: Measures of the quality of the institutional environment in Balkan Economies

	Overall DB Rank 2017 <sup>1</sup>	Overall DB Rank 2016 <sup>1</sup>	Starting a business <sup>1</sup>			Dealing with construction permits <sup>1</sup>			Enforcing contracts <sup>1</sup>			Perception of corruption <sup>2</sup>		
			Procedures	Days	Costs of income per capita	Procedures	Days	Costs of warehouse value	QJP	Days	Costs of claim	2016 Rank	2016 Score	2015 Score
<b>Albania</b>	58	90	5	5	10.1%	16	220	3.3%	6	525	34.9%	83	39	36
<b>BiH</b>	174	175	12	65	13.5%	15	179	18.5%	11	595	36.0%	83	39	38
<b>Croatia</b>	43	39	8	7	7.3%	19	127	8.3%	15	572	16.7%	55	49	51
<b>Kosovo</b>	60	64	3	6	1.1%	15	152	6.1%	9.5	330	33.4%	95	36	33
<b>Macedonia</b>	10	16	2	2	0.1%	9	89	5.1%	14	634	28.8%	90	37	42
<b>Montenegro</b>	51	53	6	10	1.5%	8	152	11.3	11.5	545	11.5%	64	45	44
<b>Serbia</b>	47	54	5	7	6.5%	12	156	3.2%	13	635	40.8%	72	42	40



<b>Slovenia</b>	49	45	4	7	0.0%	12	224.5	2.7%	10.5	1160	12.7%	31	61	60
-----------------	----	----	---	---	------	----	-------	------	------	------	-------	----	----	----

Source: <sup>1</sup>World Bank Doing Business Report 2017 ([www.doingbusiness.org](http://www.doingbusiness.org), accessed: 03/05/2017); <sup>2</sup>Transparency International 2016 <sup>9</sup>[www.transparency.org](http://www.transparency.org), accessed: 03/05/2017. Key: QJP: quality of judicial procedures