



Bosnia and Herzegovina

**Maximizing the Development Impact
of Migration-Related Financial Flows
and Investment to
Bosnia and Herzegovina**

Prepared for the Ministry for Human Rights and Refugees
of Bosnia and Herzegovina



IOM International Organization for Migration



International Agency for
Source Country Information

The opinions expressed in the report are those of the authors and do not necessarily reflect the views of the International Organization for Migration (IOM). The designations employed and the presentation of material throughout the report do not imply the expression of any opinion whatsoever on the part of IOM concerning the legal status of any country, territory, city or area, or of its authorities, or concerning its frontiers or boundaries.

IOM is committed to the principle that humane and orderly migration benefits migrants and society. As an intergovernmental organization, IOM acts with its partners in the international community to: assist in meeting the operational challenges of migration; advance understanding of migration issues; encourage social and economic development through migration; and uphold the human dignity and well-being of migrants.

Publisher: International Organization for Migration
17 route des Morillons
1211 Geneva 19
Switzerland
Tel.: +41.22.717 91 11
Fax: +41.22.798 61 50
E-mail: hq@iom.int
Internet: <http://www.iom.int>

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the publisher.

Bosnia and Herzegovina

Maximizing the Development Impact of Migration-Related Financial Flows and Investment to Bosnia and Herzegovina

Prepared for the Ministry for Human Rights and Refugees
of Bosnia and Herzegovina



IOM International Organization for Migration



International Agency for
Source Country Information

Contents

Acronyms and abbreviations	5
Acknowledgements	7
Executive summary	9
I. Introduction	19
II. Related research and context	29
III. Bosnian migration – An overview	37
IV. Migrant survey	45
V. Investment section	73
VI. Conclusions and recommendations	87
Annex I: OeEB study: Household survey: Key findings, conclusions and recommendations	111
Annex II: OSCE-IOM regional conference conclusions	123
Annex III: Bosnia and Herzegovina, its transition process and investment climate	129
Annex IV: Overview of the financial system in Bosnia and Herzegovina	141
Bibliography	151

Acronyms and abbreviations

AMFI	Association of Microfinance Institutions
BiH	Bosnia and Herzegovina
CBBH	Central Bank of Bosnia and Herzegovina
CESS	Centre for Economic and Social Studies
CGAP	Consultative Group to Assist the Poor
DPA	Dayton Peace Agreement
DEVINPRO	Development of Innovative Products (IASCI Initiative)
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EU	European Union
FBH	Federation of Bosnia and Herzegovina
FDI	Foreign Direct Investment
FIPA	Foreign Investment Promotion Agency of Bosnia and Herzegovina
GDP	Gross Domestic Product
HH	Household
HTAs	Hometown Associations
IASCI	International Agency for Source Country Information
IMF	International Monetary Fund
IOM	International Organization for Migration
KM	Bosnian Convertible Mark
MCC	Microcredit Company
MCO	Microcredit Organization
MFI	Microfinance Institution
MHRR	Ministry for Human Rights and Refugees of Bosnia and Herzegovina
MTO	Money Transfer Operator
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
OeEB	Österreichische Entwicklungsbank AG (Development Bank of Austria)
PRS	Poverty Reduction Strategy
PPPs	Public–Private Partnerships
RS	Republika Srpska
SAA	Stabilization and Association Agreement
SEE	South-East Europe
SME	Small and Medium Enterprise
UNDP	United Nations Development Programme
USAID	United States Assistance for International Development
WB	World Bank

Acknowledgements

Identifying the areas and means by which key stakeholders in Bosnia and Herzegovina (BiH) can better capture the positive aspects of migration development/migration-related financial flows are key outputs of this research effort. Through its innovative orientation and multifaceted research approach, important insights into the objectives of long-term BiH migrants during their period of migration and possible return, in particular as these relate to their related savings and investment behaviours, were gained. In line with the broader objectives of the project, we trust this document serves as a resource and guide for developing relevant migrant-specific savings–investment–employment models and related policy interventions on the part of the government of BiH and its key partners, both domestically and multilaterally.

This document builds on leveraging and combining the substantive research carried out by the International Agency for Source Country Information (IASCI) within the region and the expertise of the Sarajevo Mission of the International Organization for Migration (IOM). Joint efforts included the refinement of IASCI methodologies, carrying out the necessary fieldwork in BiH, as well as joint drafting of conclusions and recommended areas of intervention.

Our great appreciation goes to Regina Boucault and IOM Sarajevo, whose strong interest in continuing to examine the related issues of effective migration management and the migration–development nexus from new and innovative perspectives made this study possible. We are grateful to the Ministry for Human Rights and Refugees (MHRR), Department for Diaspora, which initiated the study, for their efforts in raising awareness on diaspora contributions, including in the areas of remittances and savings, and their support in providing available information, publications and data. They were very instrumental in liaising with diaspora organizations in far off countries to feed into the online survey and allow for more in-depth comparison and understanding of patterns. The study was carried out with the full support of the Ministry and the BiH Council of Ministers and takes place within the Framework Agreement signed between MHRR and IOM to cooperate on initiatives aimed at linking migration with the development of BiH as well as research activities. This study and its publication were funded by the IOM 1035 Facility.

Many people and agencies assisted in the carrying out of this research effort, and we express special thanks to them all. In particular we extend our appreciation to the 1,216 respondents to the Migrant Survey, as well as 182 online survey respondents. We would also like to express our gratitude to Dr. Ilir Gedeshi from

the Centre for Economic and Social Studies (CESS, Albania), who acted as consulting expert, as well as PRISM Research (BiH) for providing us with useful suggestions and much appreciated assistance in carrying out the fieldwork components of the survey. Ms. Jasmina Mangafic (BiH) and IOM Vienna are recognized for the original qualitative work and desk review carried out in the context of the first IASCI/IOM Bosnia research. This information provides important context to the current analysis, and key issues have been updated and adapted for inclusion in the background section. We also thank Ms. Isma Stanic of the MHRR, as well as the various diaspora organizations for their support in carrying out the survey work by raising awareness within the broad migrant community.

As with the related research carried out by IASCI it was important indeed to take the time and effort to talk “with” the persons most central to any discussion about migration and not “about” them.

As is usual in these instances, the authors take full responsibility for the data, analysis, conclusions and recommendations presented in this document; and nothing in this research necessarily reflects the official views of either IOM or MHRR.

Nicolaas de Zwager
Wolfgang Gressmann
Vienna, July 2010

Executive summary

The overall aim of this research is to provide relevant stakeholders in government and private sectors in BiH with primary and reliable data, information, analysis and recommendations related to: a) key migration and development issues, b) supporting the design of possible intervention models, and thereby c) supporting overall sustainable development of the country.

The hypothesis tested is that, a key migration-related objective of many BiH long-term migrants is to build up a certain level of financial capital during migration – often combined with other important skills and contacts. As a direct result of this savings behaviour on the part of BiH migrants, and similar in key respects to other high outmigration countries researched (Albania, UNSC resolution 1244-administered Kosovo¹ and the Republic of Moldova), a significant pool of “retained savings” is being accumulated in cash, investments and banking systems in countries of migration.

Depending on key factors inherent to the dynamic of circular migration, and assuming that suitable local conditions exist or can be created, BiH migrants may choose to transfer these retained savings, or a portion thereof, at some future date. This accumulated capital could play an important, catalytic role in the overall development strategy of BiH – especially when combined with the social and human capital BiH long-term migrants have gained and might wish to invest in the realization of their plans and ideas.

While remittances will undoubtedly continue to be important for both country and recipient households (HHs), it may in fact be the voluntary transfer and efficient intermediation of both “retained savings” and the savings component of current remittances which has the greatest potential of being a driver of development.

When better understood, the existing “commonality of purpose” (i.e. shared migration-related objectives between migrants, their HHs, governments and the financial intermediation industry) may create opportunities and incentives to develop suitable common policy frameworks and practical intervention techniques at all stages of the migration cycle. Identifying practicable solutions to attract the transfer and intermediation of at least a portion of these savings would increase remittance values within an environment where remittances are predicted to continue to decrease. But more importantly, success in this area would increase the “quality” of remittances by increasing their savings/investment and hence development component.

¹ Hereinafter referred to as Kosovo/UNSC 1244.

Any approach in this direction clearly requires taking into account both migration-related objectives and BiH-related “return environment” realities influencing the key subjects/decision-makers, that is, the migrants themselves.

The challenges to understand the scope and dynamics of this migration/development potential within the BiH context, as well as current limitations and constraints; and, on this basis, identify and put forward practical and actionable policies, intervention techniques and products for the consideration of interested governments – domestically, bilaterally and multilaterally – as well as financial intermediaries.

Importantly, the research and recommendations presented here are intended to go well beyond remittances. They should rather be seen within the context of the ongoing debate about how human, social and financial capital linked to migration can better support sustainable development processes within the BiH context.

Methodology

To allow for reliable cross-country analysis of accumulated data, a standard multifaceted research methodology entailing the use of mutually reinforcing qualitative and quantitative approaches was applied. Trends were identified regarding the existing migration objectives and strategies as well as savings and investment behaviours of long-term migrants. The primary focus of the research is based on personal/family decision-making processes – and the survey focused on the HH as the primary research unit.

A survey of 1,216 BiH long-term migrants was carried out from December 2009 to January 2010 in order to capture a representative sampling amongst the high number of long-term migrants returning to BiH over the traditional holiday season.

Informing the survey work and providing necessary background information, a literature review on available information and statistics related to key BiH migration and environmental issues (such as migration trends, business environment and financial intermediation sector) was carried out. Moreover, the research built on and compares selected findings with a 2009 IOM/IASCI survey of 656 BiH HHs receiving remittances from long-term migrants.

Key findings

From the research it was possible to draw tentative conclusions regarding the scope, dynamics and limitations of BiH long-term migration as they relate to the

above-mentioned migration–development dynamic. The data and analysis confirm some key trends identified in other South-East European (SEE) countries, and differ in others.

Bosnian migration is largely composed of the most economically active part of the population. As with other countries studied, the primary reason for selecting a country of migration is a combination of “better employment chances/better income” and social capital issues (mutual assistance, network/clustering). There is no significant difference between the reasons indicated to select the European Union (EU) or countries of the former Yugoslavia (FYU) as countries of migration.

The primary sectors of employment of Bosnian migrants are: construction, service/tourism, and manufacturing. Similar concentrations in these three sectors are common amongst other SEE countries surveyed to date.

Compared to other countries studied, there are a significant number of BiH migrants in management, both middle and high, and in the professions. On the other hand, the number working as “unskilled” workers is lower than migrants from other SEE countries. When comparing the level of current employment with the level of education, it is possible to tentatively conclude that BiH migrants are not “underemployed”.

A cross-country assessment of “maturity” (i.e. the development of the overall migration cycle related to a specific country measured over time) was carried out. This employed a number of quantifiable indicators, including: level of regularization of residency in the place of migration, level of formal banking relations, rate of family reunification, knowledge of the local language, as well as relative integration/prosperity. Understanding the relative maturity of the overall BiH migration cycle is important as it provides insights into current and future migration and economic behaviours of migrants, including probable return intentions.

The findings support the impression of a high level of integration on the part of BiH migrants, and a relatively mature migration cycle, when compared to similar countries of origin within the region. The interaction between “maturity of the migration cycle” and the “perceived return environment” within BiH are seen as two interrelated factors influencing the present and future level remittances, as well as future financial transfers and return intentions – hence potential development impact.

Approximately 15 per cent of the total migrant HHs are located in the area of the FYU. The remaining 85 per cent are located in the EU region and other countries (including the United States of America, Canada and Australia).

Bosnia's relatively mature migration cycle is reflected in relatively high HH incomes in the place of migration (EUR 2,864 per month, on average; but, as expected, a significant difference exists between Western European countries and FYU). Overall, when comparing to other SEE countries studied, long-term migrant HHs from BiH are relatively integrated and as a result have gradually ameliorated their socio-economic status in their places of migration.

This higher level of integration, combined with a geographic focus of destination countries in relatively "high-cost countries", is also reflected in higher expenditure levels for Bosnian migrant HHs in the EU region. In fact, they have the highest expenditure level of the countries researched to date (this can be further explained by the higher number of HH members in migration).

This combination of HH income and expenditure results in a net propensity to save amongst these BiH HHs of between 25 per cent and 26 per cent (as compared to 31% to 43% in the other countries studied). "Net" in this case meaning that these "retained savings" do not include the value of remittance transferred over the same period.

When comparing Albanian, Kosovar and Bosnian HHs in the EU region, in the case of BiH we find the following averages: a high monthly income combined with a high monthly expenditure and a mid-range remittance value. This results in a savings-to-remittance factor of 4.5 to 1. This can be compared to the savings-to-remittance factor of Kosovars at 5.5 and Albanians at 5.1.

In addition to higher incomes and expenditures in the EU region, Bosnian HHs also remit substantially less than Moldovans and Kosovars, and a little more than Albanians. This leads to an average of EUR 2,189 for the EU/other-based HHs and 1,211 for FYU-based HHs, giving a weighted average of 1,874 per year.

This level of remittance value is consistent with the relatively mature migration cycle mentioned above. Of interest, and contrary to most literature on this subject, approximately one third of these current remittance values (EUR 550) are reported by the migrants to be saved or invested in BiH. Once adjusted, the actual consumption component of current remittances by receiving HHs in BiH is quite near the regional average.

While requiring more analysis, the remaining differences in remittance consumption values across countries tested may have to do with family composition remaining in the place of origin (i.e. number and relation of remittance receiving beneficiaries) as well as relative purchasing-power parity considerations.

It is forecast that remittances to BiH (from the current cohort of long-term migrants) will most likely continue to decrease over the medium to long-term due to the ongoing and structural maturation of the migration cycle.

On balance, the amount of net savings retained by Bosnian migrant HHs abroad remains substantial at EUR 8,508 on average per annum. And, due to the high number of BiH HHs in long-term migration (conservatively estimated at between 480,000–536,000), the total estimated pool of annual “retained savings” for 2009 is EUR 4,660 million.

By means of simple extrapolation over BiH’s near 20-year overall mass migration experience (since the Balkan wars), it can be imagined that this accumulated capital pool now stands at many billions of euro.

As expected, the majority of Bosnian migrant/savers are regularly saving their money in their places of migration, where they are “highly banked”. On the other hand, less than one fifth of Bosnian migrants in EU countries keep even a portion of their savings in BiH. Of those few migrants who maintain BiH-based savings, most keep it in cash at home, with very few availing themselves of available banking products.

This preference is reflected in the very high prevalence for hand-carry of remittances. On average, only 22.5 per cent of the actual value of financial transfers was carried out through formal channels (through banks or money transfer operators (MTOs)) in 2009. Moreover, informal channels remain the preferred means of money transfer for the vast majority of Bosnian migrants.

Reported values for specifically remitting to “invest in a business” or “accumulate savings” in BiH are also markedly lower than similar values found in the Republic of Moldova, Kosovo/UNSC 1244 and Albania. Still, as noted, an impressive 31 per cent of remittances sent from EU countries and 25 per cent from FYU countries in 2009 were thought by the remitters to be saved or invested.

The recent financial crisis and current economic downturn has clearly influenced remittance behaviours with clear majorities in EU and FYU groups reported having sent less in 2009. While remaining more or less stable, there is little chance of a significant recovery in remittance values in 2010 with half of the respondents in EU countries expecting to send the same amount of remittances in 2010 as in 2009.

As can be expected from the migration profile provided above, the average forecast period of migration for BiH migrants (31 years) is significantly longer when compared to other countries studied. Again, the eventual decision to return is

dependent on many interrelated factors, primarily involving achievement of the migration objective, as well as issues related to the socio-economic and regulatory (i.e. return and reintegration) environment in BiH.

This longer period of expected migration confirms the maturity of the migration cycle. It seems that about half of all migrants wish to return to BiH as pensioners, and not necessarily to earn a living back home.

Nonetheless, the number of migrant HHs with a definite intention of returning is in line with regional averages (about 55%). An ongoing connection to BiH and possible return intention is confirmed by examining quantitative variables, including: frequent trips home, high levels of regular communication, maintenance of property in BiH, interest in saving/investing in BiH, and maintaining a banking relation in BiH.

For four out of five BiH migrants, reaching their savings objective remains the primary condition to be met before voluntary return is to be considered. Unlike other countries studied, for just over half of Bosnian migrants with a return intention, securing their pension plan is their “primary goal”; reaching “other savings objectives” is the second most important personal goal prior to return.

The return environment in BiH continues to play a significant role, with noteworthy numbers of respondents considering returning if they could secure gainful employment, or they were confident in starting their own business in BiH.

The majority of migrants willing to return to BiH intend to return to their village or town of origin. This trend is different from other countries in the region, where a general urbanization process can be observed.

Investment profile

Overall, BiH migrants can be considered quite entrepreneurial; with a considerable number (32%) having or intending to invest in their place of migration. Compared to this, a relative few (6%) have invested in BiH to date.

This level of past investment in the country of origin is considerably lower than for other countries studied. This finding again confirms the maturity of the BiH migration cycle and the long-term migration intention. It would also seem to confirm generally held perceptions of the relatively unattractive investment environment in BiH.

On the other hand, and looking forward, 26 per cent of all Bosnian HHs are planning to initiate or expand an investment in a business enterprise in BiH in the future. While extremely substantial when compared to the BiH population as a whole, the overall level of investment interest amongst migrants for their country of origin is a little bit more than half of the investment interest found amongst long-term migrants from Albania, Kosovo/UNSC 1244 or the Republic of Moldova.

The investment intentions of Bosnian migrants are very similar across socio-economic factors, including income, education and sector of employment, among others. The interest to invest in BiH is slightly higher for migrants who are employed as workers (skilled and unskilled). This coincides positively with their relative high return intention (two thirds of this group expect to return to BiH).

The vast majority of Bosnian migrants interviewed agree that the skills and experience they have obtained during their migration influenced their investment interest.

The actual target level of savings between migrants with investment intentions and those without are consistent – at about EUR 95,000. This “savings target” is significantly lower than the savings target for Albanian and Kosovo/UNSC 1244 migrant HHs, and is closer to the objective of Moldovan migrant HHs.

Micro- and SME (small and medium enterprise)-level investment in the following sectors remain favoured: retail trade (including shops, bars and cafes), real estate, manufacturing, agriculture and tourism. The sector of investment interest is influenced by country of migration, with those in FYU countries slightly more interested in manufacturing, agriculture and tourism, while EU-based migrant HHs slightly prefer retail trade and real-estate.

Reflecting their sectoral and small-scale investment ambitions, Bosnian migrants primarily prefer to invest individually, or in partnership with family members. However, the percentage of migrants who are planning to invest in partnership with friends is higher than in some other countries in the region. This may indicate a relatively higher social cohesion in BiH.

For potential investors, accessing suitable credit is and will remain an important issue, with large numbers planning to supplement their investment through one or more other means, such as bank loans. Microcredit providers are more interesting for migrants residing in FYU countries.

In general, borrowing ambitions reflect the investment intentions and short-term ambitions, i.e. primarily trade credit.

General conclusions and recommendations

The findings would seem to confirm that within the BiH context, as in other countries studied, it is possible to identify complementary areas between the needs of the BiH economy and the ambitions and potential resources inherent in BiH migrants, i.e. the “commonality of purpose” introduced above.

These are summarized as follows:

- While successful and largely integrated in their places of migration, most BiH long-term migrants retain a strong attachment to their country, and a still substantial number express an interest in returning and investing once sufficient capital is accrued (whether they will actually do so is another question, depending on a number of personal and environmental factors and incentives).
- Migrants’ savings – whether kept in the host country or accumulating in cash in the place of origin as a component of current remittances – represents a substantial pool of funds that, given appropriate incentives, safeguards and regulatory framework, might be encouraged towards formal savings and investment opportunities in BiH.
- As the BiH migration cycle continues to mature, remittances sent for consumption purposes will continue to decrease.
- A larger portion of income gained through migration will shift towards savings and investment – either as retained savings or investments in the host country, or as migrants’ transfers.
- This expanding pool of savings will occur in a macroeconomic and business environment within BiH that will continue to improve, allowing more opportunities for viable savings and investment vehicles to develop.

Significant scope therefore exists for creating mutually advantageous relationships, by providing migrants with investment and savings opportunities tailored to their needs (and which are of direct relevance to them, their beneficiaries and their communities). This approach would need to be complementary with public and private actors currently involved in SME development and credit provision.

While recognizing that the combination of national market factors and migration trends is unique to BiH, and that there are profound differences between BiH migration factors and those of other countries within each region, in some regard this research paper arrives at conclusions and recommendations similar to those put forward in parallel studies.

Key amongst these are the following:

- There is a general absence of coherent policies toward migration and development, with migrants/diasporas largely ignored as potential agents of

economic development in the public sphere, and a lack of strategies in product and service development (and marketing activities) within the broad financial sector.

- Despite the enormous potential impact, both positive and negative, of migration phenomena on BiH, there is surprisingly little reliable information on related topics, and not nearly enough research being undertaken to maximize the development potential of remittances and migration – or to even address this potential opportunity in any meaningful way. The systematic collection of accurate statistical data and information on remittances, migration and diaspora is among the essential components to enhance analytical capacity and support both public policies and private-sector market interventions.
- There is a growing awareness among stakeholders in BiH for concrete action to maximize the positive impact of migration and minimize its negative aspects, yet there is no operational national programme to manage migration or leverage diaspora resources in service of sustainable development. In this regard, adopting policy frameworks, designing governmental coordination mechanisms and enhancing analytical capacity could achieve greater institutional coherence. Recommended areas of intervention include supporting the formulation of policies and strengthening of state institutions responsible for migration and development.
- A history of collapsed banking sectors and lost savings, together with an environment of growing post-Dayton political gridlock, has left home communities and migrants/diaspora distrustful of the financial sector and government oversight. Efforts to increase the development impact of migration-related financial flows need to directly address this underlying lack of trust, as well as the real and perceived weaknesses of financial system(s).
- The main reason for the extensive use of informal transfer channels is not due to a lack of quick/cheap formal transfer possibilities. Migrants have more personal reasons for hand-carrying their remittances, including systemic issues touched upon above. In general, there is little potential for a quick change in informal remittance/savings behaviours. As a result, interventions need to go “beyond remittances” and address those factors that can help leverage migrant/diaspora resources in a broad sense. Benefit is seen in supporting national discussions and commissions on: migration, resulting financial flows and development that would focus on policymaking, coordination and practicable initiatives of relevance.
- Previous and parallel studies confirm that migrants “are tired of simply giving money away”, with many having supported dependents and their home country financially for years or even decades. A practical shift towards actively facilitating saving/investment in the homeland private sector is seen as more durable and realistic, with migrants thereby supporting the home country and also benefiting by capturing a return on investment. Related, it is recognized

that in many cases migrant entrepreneurs or investors are more likely to assume the additional risks inherent in their home country's private sector than other investors.

- Emphasis should be placed on supporting and developing capital market financial products, such as equity and debt funds or bonds that allow migrants to invest indirectly – with products and services designed to appeal to potential investors living abroad and intending to stay there for the foreseeable future.

In summary, the development impact of migration would benefit greatly from strengthened financial systems, as well as the availability of more diverse, reliable products and services for migrants, remittances recipients, and the general population.

It is recommended for the Government of BiH to engage in projects with commercial financial institutions to extend their products and services, including developing specific departments, capacities, and vehicles, together with targeted marketing strategies, to raise awareness of their products within the diaspora and provide better tailored services to its members. As a precondition, the BiH government needs to assume its coordinating role as well as take ownership of the technical capacity capable of supporting it.

A domestic capacity, supported by the relevant specialized agencies, should be capable of increasing the development impact of migrant/diaspora contributions by: identifying and filling significant informational gaps; ensuring that future initiatives in both public and private spheres are complementary and sufficiently coordinated on inter-ministerial, inter-entity and inter-agency levels; and, initiating priority initiatives and suitable pilot projects that take into account the interests of relevant public and private stakeholders, and not least the migrants themselves.

I. Introduction

The overall aim of this project is to provide relevant stakeholders in government and the private sector in BiH with primary and reliable data, information, analysis and recommendations related to: a) key migration and development issues, b) supporting the design of possible intervention models, and, c) thereby supporting overall sustainable development of the country.

Comparable research and intervention experience in the South-East European (SEE) region shows that analysing and understanding migrants as a distinct market segment, and gaining insight into their priority migration, savings and investment behaviours, holds real potential in providing an analytical framework as well as practical stepping-stones for the development of relevant and sustainable migrant-specific savings–investment–employment models and policy frameworks.

The following chapters provide the results of our field research and propose BiH-specific interventions related to the nexus between:

- supporting migrants from BiH to achieve their primary migration-related objectives as they relate to income generation activities, savings, remittances and investments; and,
- linking these personal objectives, and resulting large-scale financial flows, with viable financial intermediation, investment opportunities, and hence sustainable development in BiH.

These aims are achieved by first:

- obtaining first hand information from long-term migrants by means of a large-scale representative socio-economic survey;
- analysing the information gathered in order to better understand key personal migration objectives;
- comparing these findings against those of a previous IOM/IASCI HH survey of long-term migrants,² which used comparable data sets.

The next steps in the project include:

- sharing this report with public- and private-sector stakeholders in BiH, allowing them to identify concepts to maximize the developmental aspects of migration;
- working with relevant ministries and agencies of the Government of BiH.

² IASCI/IOM (2009) *Maximizing the Development Impact of Migration-Related Financial Flows and Investment from Austria to Bosnia and Herzegovina*.

This research was further informed by related research and project works carried out by IASCI in Albania, Armenia, Kosovo/UNSC 1244, the Republic of Moldova and the Russian Federation from 2005, also using similar methodologies and resulting in comparable data sets.³

With this foundation it was hypothesized that, similar to other countries in the region, a key migration-related objective of most BiH migrants is to build up a certain level of financial capital – often combined with other important skills and contacts – during migration. And, that as a result of this savings behaviour on the part of BiH migrants, a significant pool of “retained savings” continues to be accumulated in cash, investments and banking systems in destination countries.

In fact, IASCI research to date indicates that for neighbouring countries, such “retained savings” amount to annual capital pools of multiple billions of euro (see table 1). Moreover, these “offshore” savings outshadow current remittances during the same period, and are accumulating annually.

It is further hypothesized that, from a development perspective, this accumulated capital has an unrecognized potential – especially when combined with the social and human capital migrants have gained and might wish to invest in the realization of their plans and ideas. Depending on key factors related to the dynamic of circular migration intentions (close ties, possible return, etc.), and assuming that suitable local conditions exist (or can be created), migrants may choose to transfer these retained savings, or a portion thereof, at some future date.

The challenge therefore is to understand the scope of this potential in the BiH context, as well as the existing constraints. Assuming suitable policies, intervention techniques and products can be identified and then put into place by governments and financial intermediaries alike, a substantial portion of these capital pools might be attracted to be saved or invested in BiH – and thereby represent an important catalytic role in its overall development strategy. Moreover, this development impact would clearly be leveraged if effectively intermediated by financial institutions, or coupled with resources from the private sector or from local authorities. This implies potential roles for the private sector and opportunities for developing public–private partnerships (PPPs).

³ IASCI and partners: Albania (2005, 2008 and 2010), Armenia (2006), Bosnia and Herzegovina (2009), Kosovo/UNSC 1244 (2009, 2010), the Republic of Moldova (2009, 2010). Core partner: Centre for Economic and Social Studies, CESS (Albania). Research partners: International Organization for Migration, IOM (Albania, Austria and BiH), Centre of Sociological, Politological and Psychological Analysis and Investigations, CIVIS (the Republic of Moldova), International Fund for Agriculture and Development, IFAD (Armenia).

In general, the approach to investment/ development by migrants is often based on the principle of self-help, incorporating all forms of resource mobilization – financial, social – such as trust and values, intellectual, political and cultural. Migrants participate in investment in development projects for different reasons, ranging from business interests to the desire to have a sense of belonging to a greater purpose, or an aspiration to support their country of origin, perceived as a cradle of their culture or an object of primary loyalty. Migrant initiatives are sometimes community-based and their main emphasis is on people, processes and relationships, rather than on technical aspects of inputs and outputs.

As the central stakeholder, an important priority of any balanced development policy therefore is to mobilize the skills and know-how of migrants/diasporas – in parallel with the effect of financial transfers. Any policy or intervention designed to bring forth more engagement needs to focus on the interests and aims of migrants in participating in development initiatives.

As noted, when understood and shared, a commonality of purpose amongst migrants (i.e. core migration-related objectives) creates opportunities and incentives to develop suitable common policy frameworks and practical intervention techniques. These can be considered by governments (domestically, bilaterally and multilaterally), as well as by financial intermediaries (separately and collaboratively), with each operating in their respective areas of interest. Experience shows that discussion between financial intermediaries and governments on this topic is by and large non-existent and possibilities inherent in calibrated domestic and international PPPs in this area remain wholly unexplored.

Table 1: Selected data on migrant household savings and remittance behaviour

	Albania (EUR)	Kosovo/UNSC 1244 (EUR)	Republic of Moldova (EUR)
Monthly HH income	2,305	3,857	1,176
Monthly expenditures	1,457	2,210	489
Monthly saving rate	848	1,631	688
Gross annual HH savings rate*	10,180	19,572	8,256
Annual HH remittance value	1,673	2,946	3,678
Net annual HH savings value**	8,507	16,310	4,578
Savings in 2008***	3,437 million	2,535 million	559 million
Remittances 2008***	676 million	456 million	448 million
Savings/remittances factor	5.1	5.5	1.25

Source: IASCI-NEXUS Various Field Research Dec-Jan 2008/9.

Notes: * Including remittance annual values, but net of taxes and Social Security.

** Exclusive of annual remittance values.

*** Calculated on annual HH net savings multiplied by the estimated numbers of long-term migrant HHs abroad: i.e. # Kosovar HHs: 149,000; # Albanian HHs: 404,000; # Moldovan HHs: 122,000.

In parallel with the impressive levels of “retained savings” shown in Table 1, and contrary to most of the literature on the subject, for the countries researched to date, substantial rates of savings are also being accumulated from current remittances (between 19% and 42% of remittance values), sometimes to be invested, but more often to be hoarded in cash. In other words, remittances in fact are not going “only for consumption”. Due to various migration-related reasons, this is particularly the case for the Republic of Moldova, where a large portion of savings are remitted regularly, but as shown in the migrant HH survey carried out last year, this is also the case for BiH.⁴

The underlying premise for BiH and other SEE countries therefore is that, while remittances will undoubtedly continue to be important for both country and recipient HHs, it is in fact the voluntary transfer and efficient intermediation of both “retained savings” and the savings component of current remittances – especially when combined with the social and human capital migrants might wish to invest in the realization of their plans and ideas – which has the greatest potential of being a substantial development opportunity.

As noted, the challenge lies in understanding the scale and dynamics of this market in the BiH context, and then identifying as well as applying suitable local conditions and migrant/saver-attractive incentives. And this is the subject of the following research, recommendations and possible intervention models put forward in the last section of this paper.

Project purpose

The overall goal of the project this research is designed to underpin is to support and leverage the positive impacts of migration vis-à-vis the sustainable and balanced development of BiH. This in turn is based on gaining a better understanding and more effectively capturing the potential development impact of migration-related financial flows and other forms of accumulated capital on the part of the migrants.

The following pages relate closely, though not exclusively, to the savings of migrants and their HHs as well as their return/investment intentions. Based on previous research carried out, including a mirroring survey of BiH HHs with long-term migrants on behalf of the Development Bank of Austria (OeEB, or Österreichische Entwicklungsbank AG),⁵ it is hypothesized that financial savings are primarily, though not exclusively, retained in destination countries.

⁴ IASCI/IOM (2009) *Maximizing the Development Impact of Migration-Related Financial Flows and Investment from Austria to Bosnia and Herzegovina*.

⁵ Ibid.

On this basis, the survey and analysis tests the proposition that, by focusing on understanding existing migrant objectives and their savings and investment behaviours, viable, market-driven and sustainable migrant-specific, as well as BiH-relevant, savings–investment–employment models can be identified. And that by such means, mutually advantageous relationships can be created that will benefit all stakeholders – including migrant/beneficiaries, BiH, destination countries and interested financial intermediaries. The research objective therefore is to identify specific areas of intervention and concrete steps which the BiH government, working with key domestic and international stakeholders, might consider in introducing migration development initiatives that are meaningful to the migrants themselves, and the development policy framework of the country.

Put another way, the operational goal of the project is twofold: facilitating and supporting more successful migration, savings and investment behaviours on the part of migrants on the one hand; and, on the other, assisting the government and the financial sector in the identification of policies, business models/products and services of direct relevance to migrants for the overall benefit of the economy.

Methodology

A multifaceted and integrated research methodology was utilized in order to achieve the above goals. The methodology incorporated means of examining key migration objectives and goals, with a particular focus on migration strategies, return intentions, savings behaviours and investment objectives among migrants and their families. This took into account the crucial roles played by social and human capital (trust and solidarity) as they relate to the migration experience and to the nexus between migration return and savings–investment decisions.

As the primary focus of the research is HH behaviour and private financial arrangements – based on personal/family decision-making processes – the research focused to a large extent on the HH as the primary research unit. While relying largely on quantitative data, the research also entailed use of mutually reinforcing qualitative approaches in order to provide in-depth and wide-ranging analysis.

Socio-economic survey of migrants

A large-scale survey of 1,216 BiH long-term migrants was carried out from December 2009 to January 2010. This period was selected in order to capture a representative sampling amongst the high number of long-term migrants returning to BiH over the traditional holiday season.

a) Questionnaire development

The questionnaire for the migrant survey was drafted by IASCI using previously tested and concurrent formats⁶ in order to allow for reliable cross-county tabulation and analysis.

Likewise, the migrant survey built on previous research in BiH, including the 656-sample Survey of Households of Migrants carried out in BiH by the implementing partners in the previous spring, again using a very similar questionnaire.

The questionnaire examined four key and related areas, allowing for reliable statistical cross-tabulation of data:

- the social and demographic characteristics of interviewees;
- their migration objectives, including strategies and return intentions;
- the role of social capital between migrants and their home community, as well as between migrants in their place of migration;
- financial section, including savings, banking and transfer, behaviours, investment intentions and other key parameters.

IOM Sarajevo and PRISM (a professional survey organization based in BiH that was used for the field research component) assisted in the refinement of the final questionnaire. The questionnaire was composed of 80 questions and took an average of 25 minutes to complete. The number of refusals and partially completed surveys were very low (1.6%).

⁶ In Albania, Armenia, Kosovo/UNSC 1244 and the Republic of Moldova.

b) Sampling method

Table 2: Overview on migrants and corresponding sample size for migrant survey

Category	Country of migration	Sample, rounded and adjusted*
Category A	Germany	700
	Austria	
	Sweden	
	Switzerland	
	Italy	
	Netherlands	
	Denmark	
	Other European or EU Member States	
Category B	Serbia	400
	Slovenia	
	Croatia	
	Other FYU countries ⁷	
Category C	USA	100
	Canada	
	Australia	
	TOTAL	1,200

The target group was comprised of BiH citizens of majority age, living and considered to be residing or working abroad for 12 months or more prior to the interview taking place during the past year. The interviews were carried out between 22 December 2009 and 6 January 2010.

Respondents were targeted according to three categorizations (see Table 2). Each individual categorization sample size represented the minimum number of completed questionnaires to be carried out.

Five selected ports of entry were utilized for the field survey component and covered by one PRISM research team as necessary:

North-west:
Gradiska
Brod

West:
Izacic

North-east:
Orasje
Brcko

⁷ Socialist Federal Republic of Yugoslavia.

Respondents were selected on purpose basis. The migrant survey specifically targeted long-term migrants, defined as: migrants with more than one year of migration experience, who were more than 18 years of age, and who migrated for the purpose of employment (rather than for education or any other purpose).

The interviews took place as the migrants waited in the “customs area” prior to entering (stage 1) or leaving the country (stage 2) (i.e. in both instances, prior to custom clearance).⁸

After completing the questionnaire, the interviewer continued with the next case (most probably every third vehicle or bus). The interviewers were advised and trained to preserve gender and age equilibriums.

Interviewers reported to the PRISM central unit on a daily basis. Information contained the total number of respondents by the three categories and country of migration. The central unit advised the interviewers on adjusting the number of interviewees per category and, if possible, country of migration on a daily basis, in order to achieve the target 1,200 sampling size stipulated by the three categories.

c) Beta-testing

The questionnaire was tested on a small group of interviewees and adjusted before multiplication. The survey coordinator and his assistants were responsible for questionnaire pre-testing. Based on this experience, they coordinated a full-day training session for the professional interviewers and their subsequent activities during the survey itself.

d) Method of interview

A face-to-face interview method was used for the migrant survey. Interviewers read aloud the questions from the questionnaire and the range of possible (coded) responses, or present “flash cards”, or, in the case of open-ended questions, read only the question. The interviewer held the questionnaire throughout the interview and marked in respondent answers.

e) Data entry and storage

The data entered was checked by dedicated field supervisors. Only after the supervisor approved the questionnaire as complete and accurate was the questionnaire forwarded for centralized data entry. Dedicated staff entered and cleaned the data, supervised by IASCI and IOM. The data process itself utilized an online data entry tool designed by IASCI.

⁸ Prior to the deployment of the research teams, formal approval was gained to allow the interviewers to enter the customs area at the selected points of entry and to conduct interviews.

f) Data validation methodology

According to the codified SOPs, IOM administration checked the questionnaires and compliance with the methodology according to the following criteria:

- control of all questionnaires (100%) at the IOM Mission;
- control of the compliance with HH and respondent selection methodology;
- random control of data entry (20% of questionnaires); control of data entry accuracy and obtained results, control of contradictions, and so forth.

g) Personal data protection

The research, in accordance with ESOMAR⁹ and AAPOR¹⁰ rules and regulations, was obliged to protect the anonymity of respondents. In line with their internal contract conditions, IASCI, IOM and PRISM kept secret all data and information that become known to its personnel in the course of the surveys.

Migrant survey data limitations

The main limitation of the survey data is the relatively low sample size. The total sample of 1,200 respondents does not allow identifying trends through multiple cross-tabulations between different findings without losing statistical reliability.

As the migrant survey took place at land border crossings it excludes both irregular migrants and those migrants who have effectively not maintained their contacts with BiH. The limitation of having the respondent “practiced migration for one year or longer” effectively eliminated short-term and seasonal migrants. These limitations were entered by design in order to focus the research primarily on “cyclical” and “long-term” migrants (i.e. those with an ongoing connection with the country and potentially an interest in returning).

As a function of the low sample size, the random-sampling method in choosing respondents at the border crossings resulted unexpectedly in: a) a limited representativity in terms of geographical areas of origin in BiH (overrepresentation of Brcko and other cantons), and b) over-representation of certain countries of migration (especially Austria).

In consultation between the project partners and after review of the entry statistics provided by the relevant BiH authorities, it was decided not to carry out a field survey at the Sarajevo International Airport due to the low numbers of expected arrivals.

⁹ European Society for Opinion and Marketing Research ICC/ESOMAR International Code on Market and Social Research.

¹⁰ American Association for Public Opinion Research <http://www.aapor.org/Home.htm>

The expected arrival of migrants from the third group (namely Australia, Canada and the United States of America) via Belgrade and Zagreb and then transiting by vehicle across the designated border crossings did not materialize in the numbers expected in Table 2.

Online survey

As partial compensation for the lack of Category C (United States, Canada and Australia; see Table 2) respondents in the actual migrant survey, the implementing partners agreed to carry out a test online survey of migrants residing in the countries included in this group.

Awareness-raising among potential respondents was carried out by IOM in collaboration with the BiH MHRR, as well as leading diaspora organizations either active or with members/contacts in the respective countries of migration. In order to allow for efficient cross-tabulation, very similar questionnaires were used in both migrant and online surveys

The online survey was carried out from 7 January 2010 to 2 March 2010. During that time, 182 persons responded to the survey.

Online survey limitations

The sociodemographic profile of the respondents to the online survey differs significantly from the migrant survey carried out at the ports of entry. A total of 46.3 per cent of respondents indicated that they completed university education prior to migration (only 2.3% of the respondents during the migrant survey in BiH indicated having a university education). A total of 68.6 per cent indicated that they work in “other fields”, including academia. In comparison, only 1.7 per cent of Bosnian migrants in EU countries indicated such fields of employment. While less than 1 per cent of respondents during the migrant survey in BiH indicated associations to diaspora organizations, 57.3 per cent of respondents to the online survey indicated that they were registered members of such organization.

The findings of the online survey were incorporated into selected areas of analysis in this document when considered as relevant, with the proviso that they are understood to be considered as highly indicative, and that they are only suggestive of certain trends related to BiH migrants residing in the United States, Canada and Australia. Due to the small size of this sample and the issues mentioned above, any extrapolation to the BiH migrant community as a whole should be treated with great caution.

II. Related research and context

Large-scale IASCI-developed research projects, using the same methodology as applied in this document, have been carried out in Albania, Armenia, BiH, Kosovo/ UNSC 1244, and the Republic of Moldova over the 2005–2010 period. In line with expectations, these have consistently shown that current remittances in these regions are used primarily – though far from exclusively – for HH consumption.

However, of potentially more interest from a development perspective is that, while allowing for national and migration-related variables, the same studies consistently confirm that a primary migration-related objective for most long-term migrants is to accumulate a certain amount of capital in the destination country, rather than remit these savings to their dependents or accumulate savings independently in their respective countries of origin. As a result, it became evident that pools of many thousands of millions of euros of migrant savings (depending on the number of migrant HHs and the overall period of the mass-migration experience of the country of origin) may be accumulating in cash, investments and banking systems in key countries of destination.¹¹

The overall impression provided by these studies was the very personal and integrated nature of the migration experience and savings behaviours. In this regard the research should be seen within the context of the debate about how human, social and financial capital gains linked to migration can better support the development process.

Specifically, regarding migrant savings, the aforementioned surveys clearly indicate that:

- the vast majority of long-term migrants from SEE, irrespective of gender, education or migration practice (i.e. regular or irregular) maintain a very high propensity to save;
- these savings result from a substantially higher overall family income in destination countries than is commonly presumed; and,
- it is this ambition to accumulate a certain amount of capital which is one of the key common motivating factors in the overall migration experience (from pre-departure to eventual return).

The data further indicates that, when examined from most long-term migrants' perspectives, remittances, while undoubtedly remaining important to both beneficiaries and countries of origin, become in effect a secondary issue to the broader goal of savings accumulation.

¹¹ Note: The research focus and methodology was designed to allow for a conservative estimate of these values.

Remittance and savings/investment behaviours, in turn, are highly dependent on key personal factors, including, inter alia, HH composition, family reunification and future return intentions.

As a result, it has become possible to identify some common areas of interest between the migrant groups of the countries of origin studied, and potential opportunities presented by migration related financial flows. These include the need to:

- create large-scale employment opportunities: the majority of migrants are interested in securing waged employment in their countries of origin, with some percentage of migrants and savers having the skills or ambition to become entrepreneurs;
- provide access to long term finance: at present this is one of the major constraints faced by many otherwise viable enterprises in countries of origin;
- have opportunities for viable investments: inability to channel funds into productive investments (or “unwillingness” given the current environmental situation in researched countries of origin) not only discourages return and negatively affects the reintegration process (thereby potentially encouraging recurrent migration), but may in fact lead to a situation of “forced consumption” or “forced speculative investment”; and
- create opportunities for direct finance and credit-client relationships: to overcome the deep distrust migrants hold for banks and other financial intermediaries in their respective countries of origin (while being largely and successfully “banked” in their respective countries of destination).

Based on this, conclusions and recommendation for decision makers to look for market opportunities and development potential far beyond the now decades-long focus on “remittances” could be put forward. Potential opportunities presented by the mobilization of major financial resources gained through migration may be summarized as follows:

- Most migrants from the SEE region can be categorized as “circular migrants”, insofar as they maintain strong attachments to their countries of origin, and a substantial number express an interest in returning once sufficient capital is accrued (whether they will actually do so, and what they will do with their savings, is another question, depending on a number of personal and environmental factors and incentives).
- Migrants’ savings – whether retained in the host country or accumulated in the place of origin – present a substantial pool of funds, most probably in multiple billions of euro that, given appropriate incentives, safeguards and regulatory framework, might be encouraged towards investment and savings opportunities in the respective countries of origin.

- The pool of savings will continue to increase over the medium to long-term. There is evidence that, as the migration cycle continues to mature and the immediate needs are met, a larger portion of income gained through migration shifts towards savings and investment—either as retained savings or investments in the host country, or as migrants’ transfers.
- Within the context of the post-transition period and ongoing reform efforts, this expanding pool of savings is occurring in macroeconomic and business environments within the region that will broadly continue to improve, thereby providing more opportunities for viable savings and investment vehicles to develop in the countries of origin.

In summary, IASCI research to date, under the overall objective of providing the means for migrants and their beneficiaries to shift some or all of their savings from countries of destination to countries of origin, from informal to formal channels, and from “cash under the bed” to intermediation, proposed key areas of intervention can be grouped as follows:

- Providing for more research and data development on migration-related financial flows to gain a greater understanding of migrants as a specific market segment, with a particular focus on the attraction of migrant transfers within the context, and potential, provided by the evolving return process.
- Supporting the broadening and deepening of financial intermediation in relation to migrants as a specific market-segment, by encouraging the development of a relevant policy and regulatory framework, as well as targeted awareness amongst key decision makers in both private and public sectors (in both countries of origin and countries of destination).
- Supporting the personal objectives of migrants through the provision of relevant remittance, savings and investment products, as well as related services and interventions; this area of intervention should closely complement, and be complemented by, public and private actors involved in financial regulation, economic development of marginal regions, SME development, credit provision, and migration management.¹²

BiH–Austria migration corridor, key findings

Building on previous and concurrent studies touched upon above, research was carried out in year 2009 by IASCI and IOM in BiH and Austria in order to test the validity of the migrant savings/investment model in relation to the significant BiH–Austria migration corridor.

¹² OSCE, Final Report on the Regional Conference on “Migrant Investment, Return and Economic Reintegration for Development in the SEE and CA Regions”, Vienna, 10–11 December 2009.

The overall objective of the 2009 IASCI/IOM study was to provide the OeEB and related stakeholders with relevant data, information, conclusions and recommendations to support sustainable development within the SEE regional context. The practical objective was to possibly identify and propose areas of intervention, and a set of specific project proposals, which the OeEB, within the context of its mandate, might consider when supporting BiH, particularly its financial intermediation sector, when introducing relevant, balanced and durable migration development initiatives.

To allow for cross-country analysis of accumulated data, a standard multifaceted research methodology entailing the use of mutually reinforcing qualitative and quantitative approaches was applied. To inform the survey work and provide necessary background information, desk research on available literature, statistics and information related to key BiH–Austria migration and environmental issues, such as migration trends, the business environment and the financial intermediation sector, was carried out.

In parallel, semi-structured interviews with 27 relevant financial institutions, government ministries and specialized agencies in BiH were conducted to examine more closely the current and potential role of the financial intermediation sector, the regulatory framework and the business environment. More specifically, the qualitative interviews related to the level of awareness and views on current and future banking, savings, and investment products especially targeting the migrant community, to ensure adequate coordination in relation to any areas of intervention or project proposals to be put forward.

A representative survey of 656 HHs that had at least one member working abroad for 12 months or more, preferably in Austria (or alternatively, Austria-type economies, i.e. Germany, Switzerland, etc.) was carried out. In addition, within each surveyed district, HHs without long-term migrants were selected for interview, with every fifth interview conducted with a non-migrant household (i.e. representing a control group of 20 per cent of all HHs).

As a counterpart to the HH survey, qualitative interviews and one focus group discussion with 26 long-term migrants from BiH were conducted in Austria. The focus group discussion tested some quantitative findings from the previous HH survey. This related in particular to the amount of savings and investment intentions of migrants currently residing in Austria.¹³

¹³ Note: Given the research of the client, purposeful sampling was introduced in order to gain insight into the experience of BiH households with migrants in Austria, as well as Austrian-based migrants themselves. Any extrapolation to any BiH migrant community in other countries is considered highly indicative and should be treated with great caution. In order to better understand the BiH migration experience, an in-depth, larger-scale (i.e. more representative and linear) research amongst the broader BiH migrant population was called for. This in essence was the genesis of this report.

The results of the report indicated a propensity to save amongst BiH migrant HHs residing in Austria of about 15.3 per cent of net disposable income. While still higher than the Austrian average, as can be seen from Table 1 this is relatively low when compared to results obtained by IASCI in other SEE countries.¹⁴ These suggest a savings rate amongst migrant HHs of 40 per cent. This Austria–BiH finding resulted in a lower savings-to-remittance factor (estimated at 2.4, rather than between 5.1 and 5.5 as found in other markets within the region). Nonetheless, this meant that BiH migrants in Austria still saved 2.4 times the amount they remitted over the same period.

The relatively low remittance and savings values found amongst BiH migrants residing in Austria could be the result of a combination of migration-related factors, including the long-term nature of the migration history between Austria and BiH – that is, its relative maturity, which is an issue we will return to in this paper. This key factor results in a very high rate of family reunification in Austria, as well as a higher level of integration and lower return intentions of this population when compared to Kosovo/UNSC 1244 and Albanian migration experiences, for instance – and possibly, BiH migrants in other countries.

Alternately, it could also be a function of the relatively low income level of BiH migrant HHs in Austria when compared to other destination countries.

Nevertheless, even this relatively low estimate results in savings of about EUR 215 million accumulated every year by 218,000 Bosnian migrants (87,000 HHs) in Austria alone. If these Austria-related findings were to be extrapolated to other destination countries of BiH migrants, it would imply an estimated savings accumulation in the range of EUR 1.2 billion per year (i.e. assuming a total estimate of 1.2 million Bosnian migrants abroad).

Closely related to this finding, the 2009 IASCI/IOM research confirmed that many BiH migrants in Austria retain a strong attachment to their country of origin, and a substantial number express an interest in returning once sufficient capital is acquired or other migration-objectives are met (whether they will actually do so is another question, depending on a number of personal and environmental factors and incentives).

¹⁴ IASCI/IOM (2009) *Maximizing the Development Impact of Migration-Related Financial Flows and Investment from Austria to Bosnia and Herzegovina*.

Background qualitative research

To inform the current migrant survey work and provide necessary contextual information to this report, a desk research on available literature with statistics and information related to key migration and environmental issues, such as migration trends, the business environment and the financial intermediation sector, was carried out.

In this regard and due to their ongoing direct relevance, the extensive background material accumulated and interviews carried out on behalf of the OeEB were used. Extracts can be found in Annexes III and IV. These sections have been adapted and updated as necessary.

In the context of the spring 2009 research in BiH, an external consulting financial/banking expert carried out qualitative interviews with relevant financial institutions and government ministries and agencies in BiH, with regard to their level of awareness and views on current and future banking, savings and investment products specifically targeting the migrant community.

The purpose of the finance market survey was to: a) carry out a stocktaking of current and planned activities of key industry, government and other stakeholders in delivering or expanding financial intermediation products specifically targeting migrants or their beneficiaries; b) assess the breadth of the banking system as it relates to the research orientation; c) assess the amounts and channels for migrant transfers flowing into BiH; and d) provide a preliminary assessment of the feasibility of the financial services and intermediation industry developing financial and related products, services, and interventions of interest to migrants. A summary of the key quantitative findings is presented in Annex IV of this report.

Background household quantitative approach

Selected data in this study is cross-tabulated from the representative sample of 656 BiH HHs carried out in the context of the previous research.¹⁵ The survey covered Sarajevo municipalities and rural surroundings, Bihac and Tuzla in the central and northern parts of the Federation of Bosnia and Herzegovina (FBH), as well as the central and southern parts of Republika Srpska (RS) (Banja Luka and Foca regions).

The selection of regions was based on criteria to ensure: a) geographic and ethnic representativity, b) fair representation of disparities in economic development among regions, and c) fair representation of the disparities in migration intensity

¹⁵ Ibid.

among the regions. Further, the HH surveys took into consideration disparities in age, gender and generation to reflect and analyse differences regarding savings, sending/spending of remittances and return projects.

The researchers remain confident that the samples were representative of the target population with regard to: the geographic distribution in BiH, key sociodemographic criteria and destination country (Austria). A total of 50.8 per cent of the respondents were female.

OSCE–IOM conference

In follow-up to the 17th OSCE Economic and Environmental Forum, and using both multi-country and IASCI/IOM BiH research findings as a central discussion point, the Office of the Co-ordinator of the Organization for Security and Co-operation in Europe (OSCE) Economic and Environmental Activities and the IOM Mission to Vienna jointly organized a regional conference in December 2009, entitled “Migrant Investment, Return and Economic Reintegration for Development in the South-East European and Central Asia Regions”.

Uniquely, the conference focused on financial-related issues of migration and development that went well beyond remittances, as participants examined and discussed the current and possible role of various stakeholders becoming more aware of the importance of facilitating reinvestment of migrant savings and economic reintegration in countries of origin.

The OSCE–IOM conference included formal presentations and round-table discussions, as well as informal working groups.¹⁶ IASCI provided an outline of the IASCI–IOM study carried out on behalf of the OeEB, and compared the HH-level data obtained in BiH with similar studies carried out by IASCI in Albania and Kosovo/ UNSC 1244 (International Fund for Agricultural Development - IFAD) together with an ongoing study in the Republic of Moldova (Joint United Nations Development Programme (UNDP)/European Commission- Migration for Development Initiative).

¹⁶ During the conference the working groups were divided into four categories:

- a) Government role – mainstreaming migration into national development strategies in countries of origin and countries of Destination.
- b) The role of central banks – facilitating reinvestment of diaspora communities.
- c) Commercial bank products in countries of origin for non-resident nationals – specifically targeted at migrants.
- d) Migrant associations – outreach and communication with diaspora on countries of origin; investment benefits and the role of international organizations in supporting economic revitalization and employment generation through diaspora engagement and return of qualified nationals with investment capacity.

The opinions of some 100 representatives of governments, commercial and central banks, migrants associations and international organizations were exchanged and debated, reflecting a wide range of experiences and operational viewpoints, which led to the formulation of a list of conclusions and recommendations. These can be found in Annex II.

III. Bosnian migration – An overview

General aspects of BiH population and migration

Migration of BiH nationals in the modern period has occurred in three primary phases: before the war, during armed conflict (1992–1995), and in the 15-year post-war period. Migration to the EU area can be characterized by a history of so-called “guest worker-migration” dating back to the post-World War economic boom, especially in Germany, on the one hand, and by “an explosion of migration” resulting from the war in BiH, on the other, with the territorial relocation of 2.2 million inhabitants between 1992 and 1995, including 1 million dislocated in the country and 1.2 million moving to foreign countries.

Estimates of BiH migration flows

Year 2007 figures from the BiH Ministry of Foreign Affairs indicate that 1,343,805 BiH citizens were living abroad,¹⁷ a number that is in accord with estimates from the MHRH, which placed the figure at 1,350,000 in 2008,¹⁸ whereas the World Bank’s *Migration and Remittances Factbook* refer to a figure as high as 1,471,594 for BiH. According to the BiH Migration Profile for 2009, diplomatic/consular offices of BiH estimate that in the year 2006, more than 800,000 BiH citizens were living in other parts of Europe (such as other republics of the former Yugoslavia, Germany, Sweden, Norway, Italy, Austria, Croatia, Serbia, Switzerland) and nearly half a million in the United States, Canada and Australia.

According to the IOM Bosnia and Herzegovina Migration Profile, the numbers of migrants in 2005 were as follows: emigrants, 1,471,594 (37.7%); and immigrants, 40,814 (1.0%).¹⁹ The World Bank (WB) rated the following as the top 10 migration destination countries in 2005 (see Table 3): Croatia, Germany, Austria, the United States, Slovenia, Sweden, Switzerland, Canada, France and Australia.²⁰

¹⁷ http://www.mfa.gov.ba/Index_eng.htm

¹⁸ International Organization for Migration/Republic of Slovenia, Ministry of Interior (2009) *Bosnia and Herzegovina Migration Profile*.

¹⁹ Ibid.

²⁰ World Bank, Development Prospects Group (2008) *Migration and Remittances Factbook*.

Table 3: BiH migrant community by country²¹

#	Country	Number of BiH Immigrants
1	USA	390,000
2	Germany	157,187
3	Serbia	137,000
4	Austria	132,262
5	Slovenia	100,000
6	Sweden	75,000
7	Canada	60,000
8	Croatia	60,000
9	Australia	50,000
10	Switzerland	50,641
11	Italy	40,000
12	Netherlands	24,739
13	Denmark	21,037

Return to BiH started immediately after the end of the conflict. According to the MHRR of BiH, a total of over one million returns to BiH were registered, out of which almost half were so-called minority returns. The largest number of returns was realized in the first three years after the establishment of peace, with more than half of the total returns to/in BiH so far. According to Comparative Analysis on Access to Rights of Refugees and Displaced Persons, there are still half a million persons temporarily residing abroad.²² These people left BiH in the period from 1992 to 1995 and are recorded as refugees from BiH. Out of this number, some 80 per cent are considered as “integrated” into host countries, while around 100,000 refugees from BiH are still in need of long-term solutions.²³

²¹ Ministry for Human Rights and Refugees of Bosnia and Herzegovina.

²² Comparative Analysis on Access to Rights of Refugees and Displaced Persons, issued by the Ministry for Human Rights and Refugees of Bosnia and Herzegovina at the end of 2005.

²³ Migration Citizenship Education: Forced Migration and Ethnic Conflicts in Bosnia and Herzegovina (2006).

Who migrates?

As noted, there is a lack of data regarding the sociodemographic profiles of migrants (sex, age, education, etc.), as not much research has taken place. However, IOM did note the following in a study on the BiH migration profile in 2007:

- skilled emigration: 28.60 per cent
- refugees: 199,946 (2006)
- asylum-seekers: 1,658 (2006)
- emigration rate of tertiary-educated persons: 28.6 per cent (2005)
- emigration of physicians: 821 or 12.7 per cent (2005)
- irregular migrants: 204 (2005) and 489 (2006).²⁴

Today, young people are the primary migrant group as a result of the current economic and political situation of the country.

Why migrate?

The war in BiH resulted in the displacement of 2.2 million inhabitants between 1992 and 1995, with 1 million remaining in the country and 1.2 million moving to foreign countries. Existing conditions, such as the recent decline in economic growth, ongoing high rate of unemployment, unsatisfactory quality of higher education and inadequate social programmes, result in further migration out of BiH, particularly among young people.²⁵ Recent BiH migration has been largely driven by economic motivation, with continued poverty and high unemployment serving as constant push factors. Although the years prior to the current economic downturn have seen impressive growth and improvements in living standards (see Annex III), BiH remains one of the poorest countries in Europe. Pressures in the labour market remain very high, with an unemployment rate in the double digits. Current important drivers of migration include political stagnation and global economic crisis.

An important pull factor remains the significant wage differentials between BiH in the EU and its closer neighbours. Increasing demand for cheap, flexible and informal labour in these countries, as well as personal development and better opportunities for the future of migrants' children have served as other pull factors when explaining BiH migration. Finally, existing cultural and historical affinities, strong linguistic similarities and, often, dual citizenship, combined with the ability

²⁴ Chindea, A. (2007) *Bosnia and Herzegovina Migration Profile*. IOM.

²⁵ Izet, I. et al. (2006) *Migration Flows in Bosnia and Herzegovina after 1992*. ERSA, European Regional Science Association.

to take advantage of supporting networks in the respective destination countries (sometimes termed “chains of migration”) play determining roles in migration patterns from BiH.

According to the findings of a broad-based UNDP-sponsored survey, optimism is relatively weak in BiH today.²⁶ Social trust is virtually non-existent and there is a general sense of standstill. The relationship between citizens and the political world is dominated by low interest and disengagement. The survey results underline the weakness of “social capital” – bonds of trust, reciprocity and solidarity – in BiH. Underlying this is a basic confusion over identity and belonging, and a frustration and dissatisfaction with post-Dayton political structures.

Residents and potential returnees often face discouraging realities of life in BiH, such as a high poverty rate, a disturbing unemployment rate, a related lack of employment possibilities and a non-harmonized educational system, as well as problematic access to pensions, medical services and necessary social welfare, among others.²⁷ For Bosnian families to stay and thrive, they need the kind of economic development that creates jobs and small enterprises and the security to maintain a still tenuous peace.²⁸ Recent extensive UNDP research carried out by Oxford University found that 62.6 per cent of BiH youth would like to leave the country due to employment concerns.²⁹ For more information on the crucial “return environment”, please refer to Chapter V.

Irregular migration

Although many studies have been conducted to research the exact number of irregular BiH migrants, the figure is still unclear, and will probably remain so given the difficulties inherent in measuring this phenomenon. One estimate in the European Commission Annual Report on Asylum and Migration (2003) used as its statistical sources “the number of citizens apprehended within the territory or at the border of another country; the number of citizens refused entry into one country; and the number of removed aliens from a country as a proxy for irregular migration.”³⁰

BiH is not among the top nationalities of removed and refused aliens from EU-25. In 2005, 1,533 citizens of BiH were deported on various grounds to BiH from countries in Western Europe and other countries. This is a 28.5 per cent drop

²⁶ Oxford Research International (2009) *The Silent Majority Speaks: Snapshots of Today and Visions of the Future of Bosnia and Herzegovina*. Prepared for UNDP BiH.

²⁷ Migration Citizenship Education: Forced Migration and Ethnic Conflicts in Bosnia and Herzegovina (2006).

²⁸ Ibid.

²⁹ Oxford Research International (2009) *The Silent Majority Speaks: Snapshots of Today and Visions of the Future of Bosnia and Herzegovina*. Prepared for UNDP BiH.

³⁰ Chindea, A. et al. (2007) *Bosnia and Herzegovina Migration Profile*. IOM.

from 2004. Out of the total, 1,325 or 86.43 per cent of the cases were deported for “irregular stay”. Most citizens of BiH were deported from the following countries:

- Croatia:	426	27.79%
- Germany:	363	23.68%
- Sweden:	210	13.70%
- Switzerland:	108	7.04%
- Denmark:	67	4.37%
- Norway:	57	3.72%
- France:	55	3.59%
- Others:	247	16.11% ³¹

Estimated size of remittances

Remittances clearly played a major role in sustaining the citizens of BiH during the conflict and during its aftermath. More recently, remittances supported remarkable growth of private consumption, which represented one of the engines of robust economic activity in BiH in the preceding decade. Like many countries in the region, they have historically helped finance large current account deficits and upheld living standards by also being substantially invested in the country’s economic growth.

In fact, according to a United States Assistance for International Development (USAID) study in 2004, compared to findings observed in 1989 and during the conflict period, there seemed to be more HHs in some villages making use of remittance systems.³²

“Bosnia and Herzegovina is one of the primary exporters of migrants and recipients of remittances in the world. The World Bank lists BiH as the sixth among the 20 leading remittance receiving countries in the world (measured as a share of GDP), second only to Moldova in the South-Eastern European region, and further notes its significant growth rate of remittances over the years.”³³

In comparison with all other remittance-receiving countries, the WB found that BiH had the most significant growth rate of remittances in Europe and Central Asia from 1995 until 2004.

³¹ Ibid.

³² Stites, E. et al. (2005) *Coping with War, Coping with Peace: Livelihood Adaptation in Bosnia-Herzegovina, 1989–2004*. USAID-commissioned study.

³³ World Bank, Development Prospects Group (2008) *Migration and Remittances Factbook*.

Actual remittance values are notoriously difficult to estimate accurately due to a variety of reasons. BiH is no different in this regard. The Migration and Remittances Factbook observed that inward remittance flows in 2006 totalled USD 1,943 million (or 17.2% of GDP; other estimates place it closer to 20%) (see Table 4),³⁴ while the Third Congress of the World Association of Bosnia & Herzegovina Diaspora (WAD) evaluated workers' remittances at KM 7 billion (about EUR 3.5 billion) for 2006.

"The European Bank for Reconstruction and Development (EBRD) estimated remittances in BiH at 22 per cent of GDP in its Transition Report Update 2006. While Dilip Ratha of the World Bank wrote that in 2007, Bosnia and Herzegovina, with USD 1.9 billion in remittances, was in [sic] top five remittance recipients in Europe and Central Asia. One source indicates that the largest flows of remittances are related to migration flows that took place before and during the war, with migrants coming mostly from the north-western part of the country."³⁵

Table 4: World Bank estimates of remittances per annum (in million USD)³⁶

	2000	2001	2002	2003	2004	2005	2006
Workers' remittances	950	919	956	1,143	1,343	1,347	1,383
Compensation of employees	631	581	540	595	579	570	560
Migrants' transfer	26	25	30	11	19	14	-

More recent data, released by the Central Bank of Bosnia and Herzegovina (CBBH), indicate the volume as well as structure and estimated transfer channels in the 1998–2008 period (see Table 5).

Table 5: Amount and structure of remittances in BiH (in million USD)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	2,013	2,017	2,016	2,007	1,967	1,973	2,317	2,319	2,469	2,771	2,522
Through formal channels (commercial banks, money transfer systems)	145	170	121	259	582	694	813	1,015	1,267	1,441	1,202
Through other channels (including pensions delivered in person)	1,868	1,847	1,896	1,749	1,385	1,279	1,504	1,304	1,202	1,330	1,320
Workers' remittances from abroad, % of GDP	27.8	20.7	18.8	16.0	14.2	13.6	14.7	13.7	12.9	12.8	10.0

³⁴ Ibid.

³⁵ Lubura, T. (2007) *Trade Policy and Issues in relation with Poverty Reductions in Bosnia and Herzegovina*.

³⁶ IOM/Republic of Slovenia, Ministry of Interior (2007) *Bosnia and Herzegovina Migration Profile*.

As Table 5 shows, BiH experienced a more or less steady growth in workers' remittances from 1998 to 2007. In 2008, the first drop in remittances was recorded.

Who benefits?

In general, poverty and unemployment are the main push factors for migration and the main reason why migrants remit to their dependents. Hence, people who live fairly comfortably in BiH are less likely to receive remittances than people who have financial difficulties. At the same time, according to the Institute for the Study of Labour,³⁷ the wealth index, which is a linear index of asset ownership, is higher among people receiving remittances than people who are not.

In addition, it was observed that less educated people are slightly more likely to receive remittances than more educated people. Thus, unemployed people face a higher probability of receiving transfers or migrating.

Similarly, divorced or widowed people face a higher probability of receiving transfers.

Use of remittances

Many studies from different countries confirm that remittances are largely spent on necessary consumer items such as food, clothing and housing and health care. According to the World Bank,³⁸ about 77 per cent of remittances, on average, are believed to be spent on such immediate needs. This use of remittances for immediate consumption implies the unsatisfied immediate needs of the dependents of migrants (i.e. remittance-receiving HHs).

According to a USAID-commissioned study, qualitative evidence shows that overall remittances in BiH have contributed and continue to contribute to poverty reduction and have the potential of boosting longer-term economic development – if there are incentives for savings and investment.³⁹ USAID predicts that with the right incentives for savings and investment, these remittances hold a potential to contribute to poverty reduction and spur long-term economic development.⁴⁰ It is generally conceded that further and up-to-date research on the nature and scale of remittances and of their impact in BiH is required before definitive conclusions can be reached about the current role of remittances in the country.

³⁷ Dimova, R. and F. Wolff (2009) *Remittances and Chain Migration: Longitudinal Evidence from Bosnia and Herzegovina*.

³⁸ Agunias, D. (1996) *Remittance Trends in Central America*. Migration Policy Institute.

³⁹ Stites, E. et al. (2005) *Coping with War, Coping with Peace: Livelihood Adaptation in Bosnia-Herzegovina, 1989–2004*. USAID-commissioned study.

⁴⁰ Ibid.

Savings

BiH migrants characteristically have a propensity to save their earnings and maintain regular contact with friends and family in BiH.⁴¹ Further, a diaspora event in Sarajevo confirmed that they would like to establish stronger ties with resident communities in their homeland.⁴²

BiH continues to rebuild its economy and society after the destructive war with the signing of the Dayton Accords. The banking system has received considerable attention and is today considered highly competitive, well-regulated and broadly the most successful sector of the economy. However, a substantial amount of currency is still outside the banking system, even compared with other transitional economies.

Demand for savings services is constrained by mistrust in the banking system and the loss of savings habits during the war period. One survey shows that unmet demand is substantial.⁴³ However, the savings products currently on offer do not seem to provide the services that the un-banked population needs since banks do not direct their efforts towards mobilizing savings from the poor.

⁴¹ Limun.HR (2007) "Diaspora days in Sarajevo".

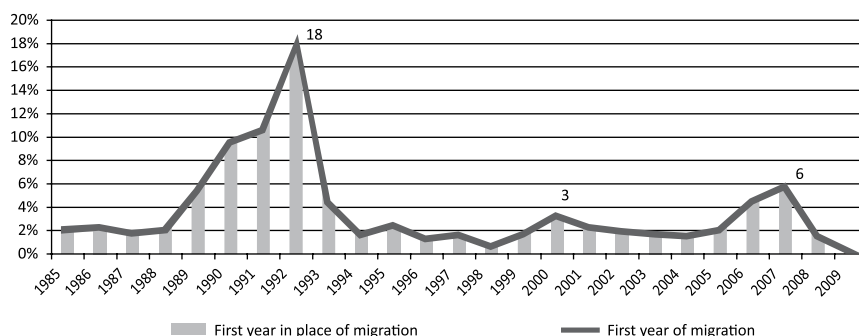
⁴² Ibid.

⁴³ de Montoya, L. et al. (2006) *Bosnia and Herzegovina: Country-Level Savings Assessment*.

IV. Migrant survey

Sociodemographic characteristics⁴⁴

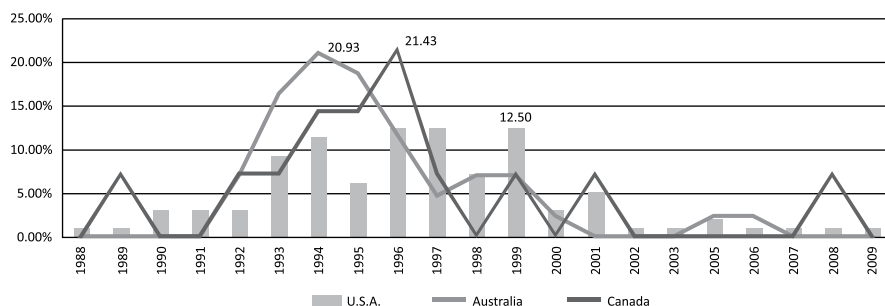
Figure 1: “In what year did you first migrate to your current place/destination country?”



The majority of respondents to the migrant survey indicate that they migrated from BiH during the period from 1988 to 1992 (see Figure 1), as a function of increasing tensions and hostilities during the Yugoslav wars in this period. After the Dayton Peace Accord, migration levels returned to pre-war levels (2%-6% of respondents) per year, with a small peak in 2006 and 2007 due perhaps to growing domestic stagnation.

There is a clear trend that Bosnian migrants do not tend to change their destination countries. Unlike Albanian migrants who often “step” from an original destination country to another, most respondents remained in their first destination country. This trend is also confirmed in the online survey (see Figure 2).

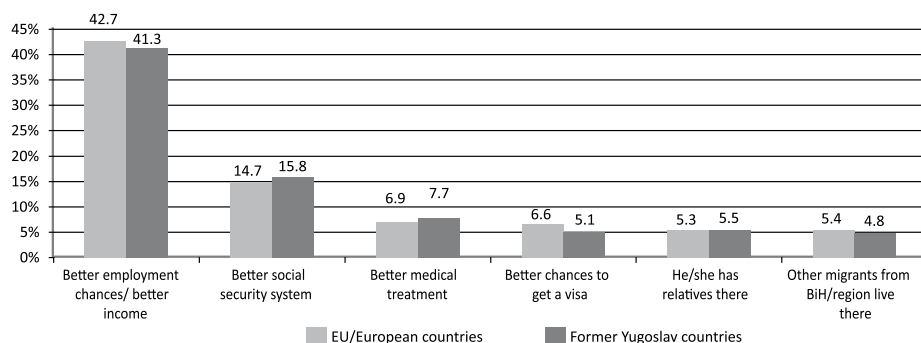
Figure 2: “In what year did you migrate to your current place/destination country?”



⁴⁴ Note on online survey limitations: The findings of the online survey are entered into selected areas of analysis in this document when considered relevant with the proviso that they are considered as highly indicative, and are only suggestive of certain trends related to BiH migrants residing in the United States, Canada and Australia. Due to the small size of this sample and the issues mentioned above, any extrapolation to the BiH migrant community as a whole should be treated with great caution.

The primary reason for selecting a country of migration is a combination of “better employment chances/better income” and social capital issues (network/clustering)...

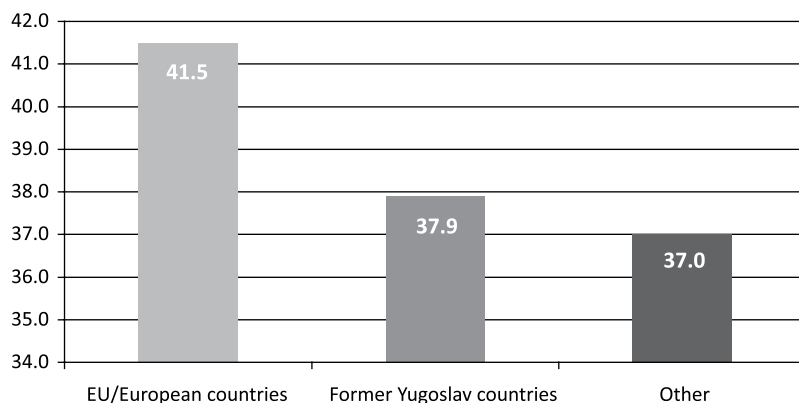
Figure 3: “Why did you select (destination country) as your destination country?”



As Figure 3 shows, there is no considerably large difference between the reasons indicated to select EU or FYU countries as destination countries.

Bosnian migration is largely composed of the most economically active part of the population...

Figure 4: Respondents by age group (in percentage)

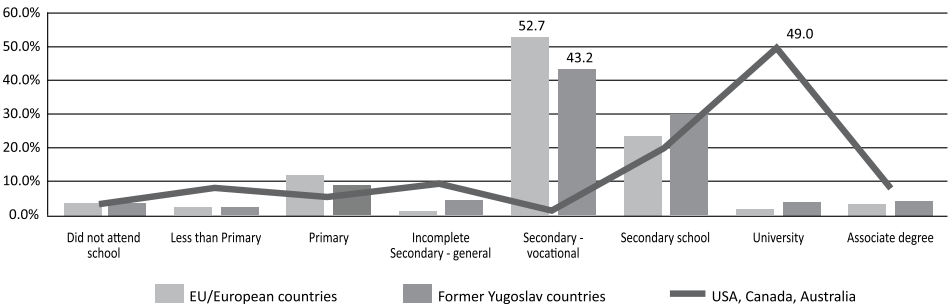


As presented in Figure 4, the average age of respondents residing in European countries is 41.5 years at the time of interview, implying that many spent most of their adult lives abroad. The average age of migrant respondents living in former Yugoslav countries is 37.9 years. Most HHs are composed of husband and wife, often with children and other dependents (Figure 12).

Unique amongst countries studied, as a “model of migration”, BiH migrants seem to prefer to migrate as a family unit from the earliest stages (partially as a result of forced displacement); whereas in the Republic of Moldova and Albania, for instance, migration is either male- or female-led depending on the country of migration and cultural considerations, with family reunification (if occurring) taking place as the migrant-leader becomes secure.

There is a slight trend that migrants in European countries are better educated than migrants who choose to reside in the former Yugoslav countries...

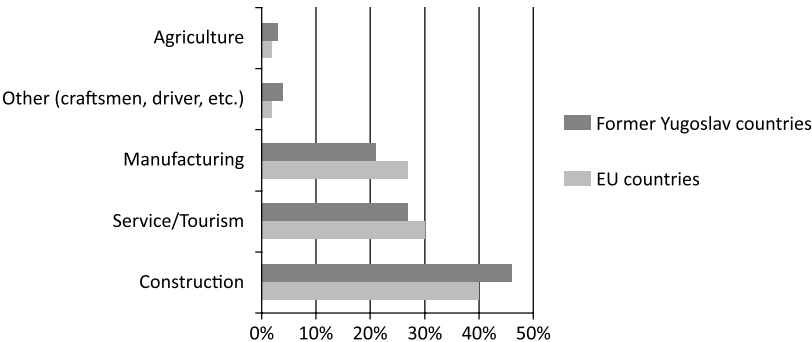
Figure 5: “What level of education did you complete prior to migration?”



A total of 52.7 per cent of respondents residing in European countries have secondary vocational education, in comparison to 43.2 per cent of migrants in the former Yugoslavia (see Figure 5). The respondents to the online survey are markedly better-educated. Forty-nine per cent indicated having a university education. This finding, however, is rather a function of bias in the sample (there were more respondents from the academic field), and is not necessarily representative.

The primary sectors of employment of Bosnian migrants...

Figure 6: “What was your primary sector of employment in (destination country) in 2009?”

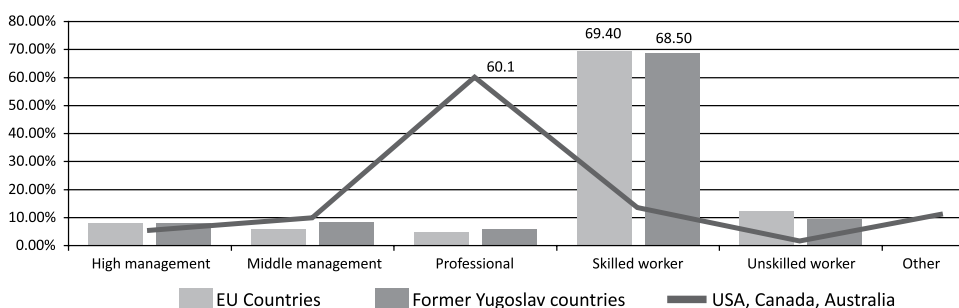


As shown in Figure 6, Bosnian migrants in FYU countries (especially in Slovenia and Croatia) are working predominantly in construction (Slovenia) and service/tourism (Croatia); variation often depends on the characteristics of the economy of the destination country.

Only a small percentage of Bosnian migrants were working in agriculture during their time of migration. Such concentration in these sectors is common amongst other SEE countries surveyed to date.

A large majority of respondents residing in the EU and FYU countries describe themselves as employed as “skilled workers”...

Figure 7: “Specify your level of employment in 2009 in your place of migration”

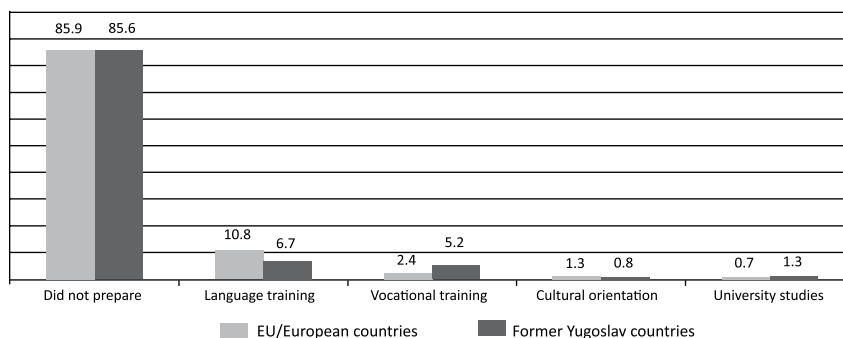


Compared to other countries studied there are a significant number of BiH migrants in middle and high management positions, and in the professions. On the other hand, the number reported to be working as “unskilled” workers is lower than that of migrants from other SEE countries. When comparing the level of current employment with level of education (see Figure 7) it is possible to tentatively conclude that BiH migrants are not “underemployed”.

These findings would seem to support the impression of a high level of employment integration on the part of BiH migrants, and a relatively mature migration cycle (see following section), when compared to similar countries of origin. Note that the high number of self-described “professionals” (i.e. 60.1%) in the online survey is most probably a consequence of sampling which was not all-inclusive and representative in the three countries mentioned.

Few migrants prepared for their migration experience in any way...

Figure 8: “Did you prepare in any way before you migrated to live or work abroad?”



The vast majority (over 85%) of migrants in both European countries as well as former Yugoslav countries indicated that they did not prepare for migration in any way. Only 10.8 per cent of the respondents residing in European countries indicated that they took language training (see Figure 8).

Other forms of training remain insignificant to Bosnian migrants. Such lack of preparation is common amongst countries studied and, in the case of BiH, they may also have been a result of the urgency resulting from displacements caused by the Yugoslav wars.

Level of maturity of the migration cycle

One characteristic of Bosnian migration is its relative maturity when compared to other countries studied. This level is assessed by using a number of quantifiable factors and proxy indicators, including: level of regularization of residency in the destination country, level of formal banking relations, rate of family reunification, knowledge of the local language, as well as relative integration/prosperity.

Moreover, these factors and indicators can be cross-tabulated with other countries by collecting comparable data sets. Understanding the relative maturity of the overall migration cycle is important as it can provide important insights into current and future migration and economic behaviours of migrants, including probable return intentions. These factors and indicators are treated individually in the respective figures and explanatory texts below.

Bosnian migrants have gained a high level of regularization of their residency and work permits in their destination countries, and rapidly...

Figure 9: “In what year did you regularize your long-term residency/work permit in (destination country)?” combined with “In what year did you migrate to your current place/country of migration?”

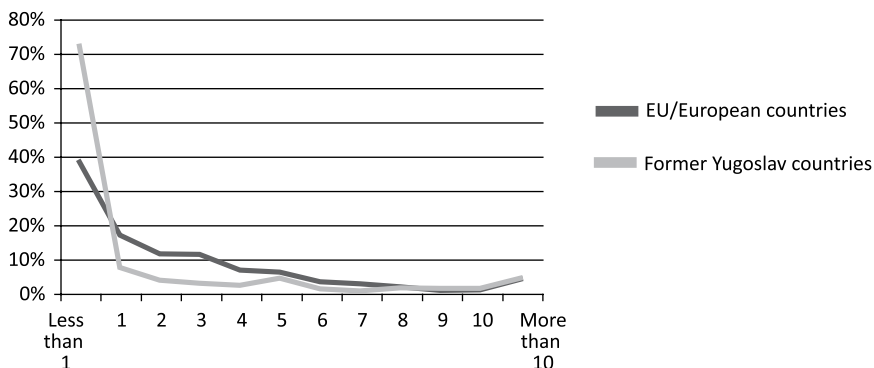
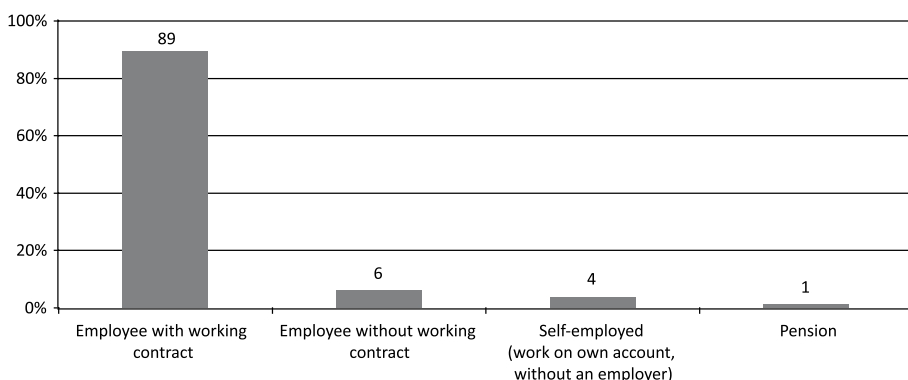


Figure 9 shows that while many Bosnians may be irregular migrants upon arrival or first stay, on average, most respondents managed to regularize their status (defined as regularizing their residence and work permit) in the destination country very quickly, usually within the first years of migration. Overall, nearly 75 per cent achieved this status within the first year.

This process resulted in an average regularization time of 2.4 years in European countries and 1.4 years in former Yugoslav countries.

As a result, the majority are working in the formal sector...

Figure 10: “What was your main source of income in 2009?”



Eighty-nine per cent of EU/FYU respondents indicated that they were employed with a working contract. Six per cent indicated that they were employed without a contract (informal sector). Four per cent of respondents in EU/FYU Groups were self-employed. As noted in the previous section, many BiH migrants were employed as “skilled” workers or in management and the professions (see Figure 7) and this would seem to be in line with their educational attainment prior to departure (see Figure 5).

Regularization can also be determined by a high level of bank accounts held by migrant HHs...

Table 6: “Do you or your household have one or more bank accounts in your destination country?”

	EU/European countries	Former Yugoslav countries	USA, Canada, Australia	Average
No	5.3%	7.9%	18.0%	10.4%
Yes	94.7%	92.1%	82.0%	89.7%
TOTAL	100.0%	100.0%	100.0%	100.0%

Bosnian migrant HHs are highly-banked in their destination countries, confirming their legal status and the relative maturation of the migration cycle (see Table 6).

But reflecting the low banking rate of the BiH population as a whole, migrant households are not banking at home...

Table 7: “Do you or your household have one or more bank accounts in BiH?”

	EU/European countries	Former Yugoslav countries	USA, Canada, Australia	Average
No	85.8%	79.6%	73.5%	79.6%
Yes	14.2%	20.4%	26.5%	20.4%
TOTAL	100.0%	100.0%	100.0%	100.0%

In comparison to other countries in the region, few Bosnian migrant HHs maintain a financial connection to their country of origin by continuing to hold a bank account in BiH (14.2%), as shown in Table 7.

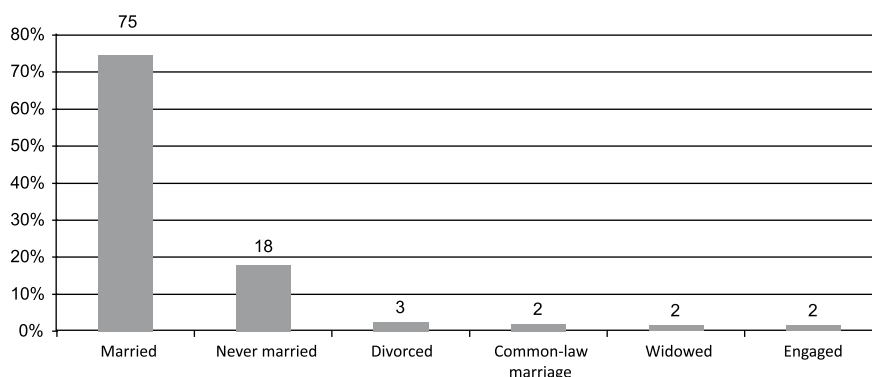
Nor do they access credit in BiH, as shown in Table 8...

Table 8: “You obtained a bank loan in...”

	EU/European countries	Former Yugoslav countries	USA, Canada, Australia	Average
BiH	1.5%	3.6%	0.0%	1.7%
Both	1.8%	1.3%	0.8%	1.3%
Neither	59.1%	72.0%	20.3%	50.5%
Destination country	37.6%	23.1%	78.8%	46.5%
TOTAL	100.0%	100.0%	100.0%	100.0%

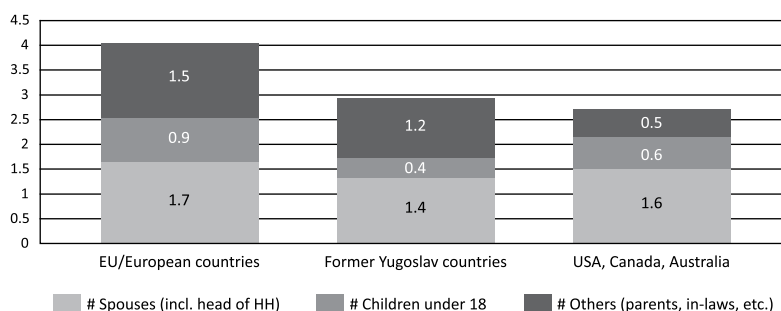
Seventy-five per cent of BiH migrants are married and residing together with their spouses in the destination country. This would seem to reinforce the high level of regularization of residency (see Figure 11)...

Figure 11: “What is your marital status?”



The number of family members living together as one HH in the destination country is substantially higher than in other countries studied...

Figure 12: “Can you specify how many members of your household are with you in your destination country?”



This HH composition is also higher in EU countries, when compared to the FYU countries or (as a trend) to the USA, Canada and Australia group (see Figure 12). On average, four people form a Bosnian HH in European destination countries, including one child under 18, on average, as well as 1.5 “other” family members (including parents, parents in law, etc.).

As an interim conclusion, it can be stated that overall, and when compared to other countries studied, long-term migrant HHs from BiH have gradually ameliorated their socio-economic status in the country of destination. This finding is confirmed from the following discussions, and in particular the table on key financial characteristics below (see Table 20). These achievements compare favourably with neighbouring countries of migration studied to date.

Social capital and communication

In Bosnian migration, horizontal social capital plays an important role in every phase of the migration experience/cycle. Social capital is defined as the level of support that migrants can count on from their network of family and other significant contacts. These social networks play crucial roles in assisting BiH migrants to manage migration-related risks, lower associated financial costs and maximize their gains. This can be evidenced from pre-departure planning (see Table 9) until eventual return and reintegration.

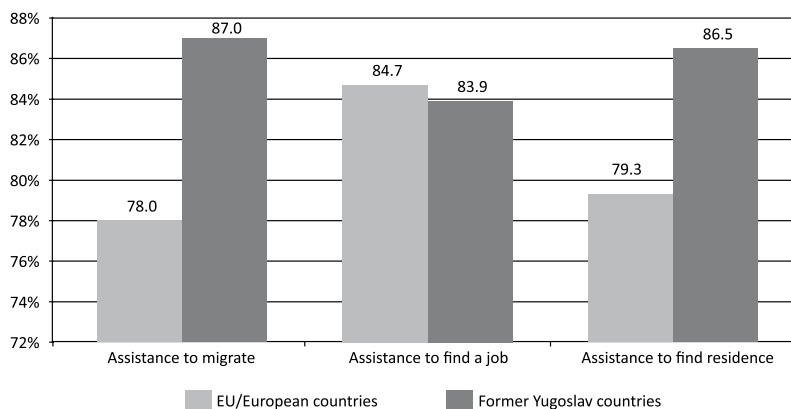
Four fifths of Bosnian migrants have close family or friends in the chosen destination country...

Table 9: “Did you have family, friends and neighbours in (destination country) prior to departure?”

	EU/European countries	Former Yugoslav countries	USA, Canada, Australia	Total
No	22.7%	17.6%	32.0%	21.1%
Yes	77.3%	82.4%	68.0%	78.9%
Total	100.0%	100.0%	100.0%	100.0%

More than four out of five migrants relied on their network to assist with key aspects of the migration process...

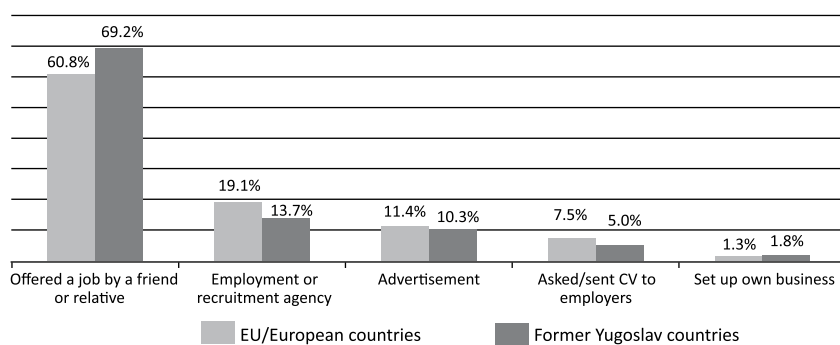
Figure 13: “Did these contacts assist you to migrate and find a job or residence?”



There is a clear trend that Bosnian migrants who are residing in FYU countries rely more on their networks to assist them during the initial migration period than migrants residing in the EU/Europe (see Figures 13 and 14).

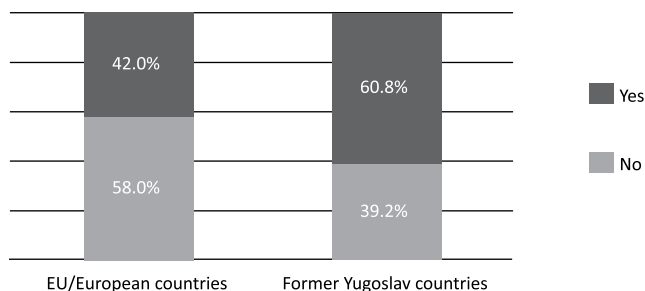
Two thirds of migrants secured their first employment through a supporting network member...

Figure 14: “How did you originally find employment in your destination country?”



As a result, large numbers of Bosnian migrants to both FYU and EU countries had secured employment prior to departure...

Figure 15: “Did you have a job lined up in (destination country) prior to departure?”



Migrants in other countries of the former Yugoslavia had secured employment in more than 60 per cent of instances (see Figure 15).

The social network is reinforced by proximity in places of residence (see Table 10)...

Table 10: “Are you aware of any persons from your place of origin living near you?”

	EU/European countries	Former Yugoslav countries	USA, Canada, Australia	Total
Yes, many	50.8%	43.5%	34.8%	48.3%
Yes, some	30.6%	34.7%	19.7%	32.0%
Yes, a few	13.8%	15.3%	31.8%	14.4%
None	4.9%	6.5%	13.6%	5.4%
TOTAL	100.0%	100.0%	100.0%	100.0%

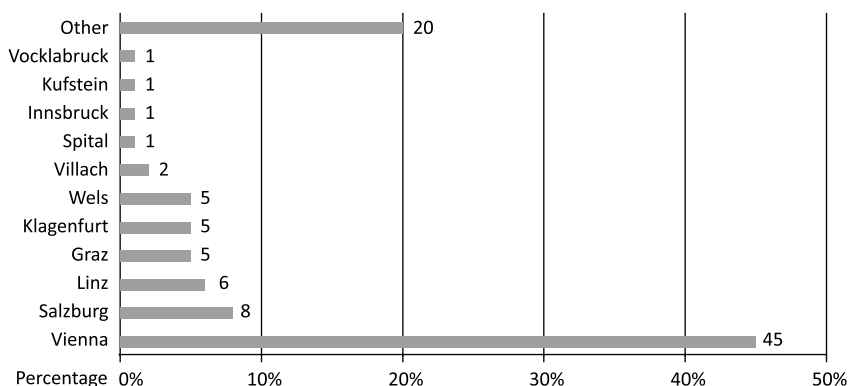
And proximity in places of employment (see Table 11)...

Table 11: “Are there any persons from your place of origin working with you?”

	EU/European countries	Former Yugoslav countries	USA, Canada, Australia	Total
Yes, many	16.4%	12.5%	0.0%	15.1%
Yes, some	22.3%	24.5%	0.0%	22.9%
Yes, a few	33.4%	31.5%	0.0%	32.6%
None	27.9%	31.5%	100.0%	29.3%
TOTAL	100.0%	100.0%	100.0%	100.0%

In the case of Austria, a trend of clustering of Bosnian migrants in major urban centres can be seen...

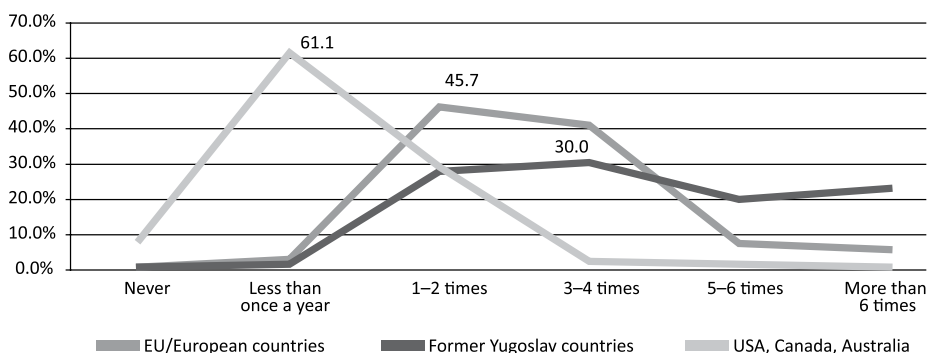
Figure 16: “Town /locality of migration” (Austria as specific example)



Forty-five per cent of respondents residing in Austria are living in the capital of Vienna, with the remaining 55 per cent evenly spread out over other Austrian towns (see Figure 16).

In addition to the high level of social capital experienced between migrants in destination countries, Bosnian households maintain strong relations with their families, friends and neighbours in Bosnia. This is evidenced most clearly by their regular home visits...

Figure 17: “On average, how often do you visit BiH on an annual basis?”



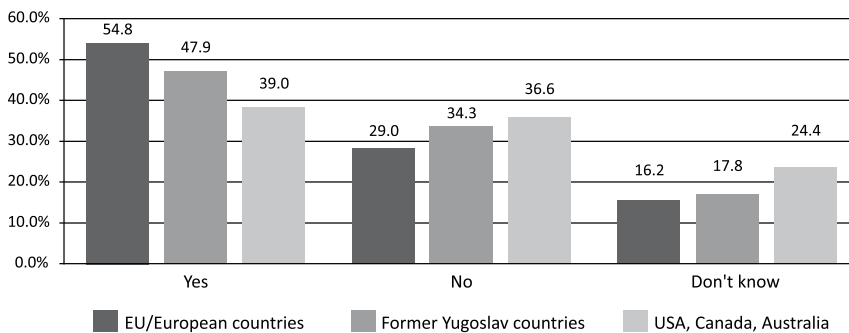
Up to three quarters of Bosnian migrants in other FYU countries visit BiH three or more times per year, mostly around Easter and Christmas (see Figure 17). During the summer, Bosnian migrants in EU countries visit their home country slightly less, but also traditionally at these times. Bosnian migrants in the United States, Canada and Australia return to BiH noticeably less (61% indicated visiting once per year or even more infrequently), and nearly exclusively in the summer (July).

Bosnian migrants seem to be rich in horizontal social capital but poor in structural social capital, the latter referring to organizations and formal networks that facilitate joint actions. Though migrant and diaspora associations exist, their role and importance to the migrant communities in EU and FYU seem to be extremely limited. Empirical data show that less than 1 per cent of migrants are currently members of any diaspora organization.

Return expectations

Stated return intentions are significantly higher for Bosnian migrants currently in the EU than those in FYU countries...

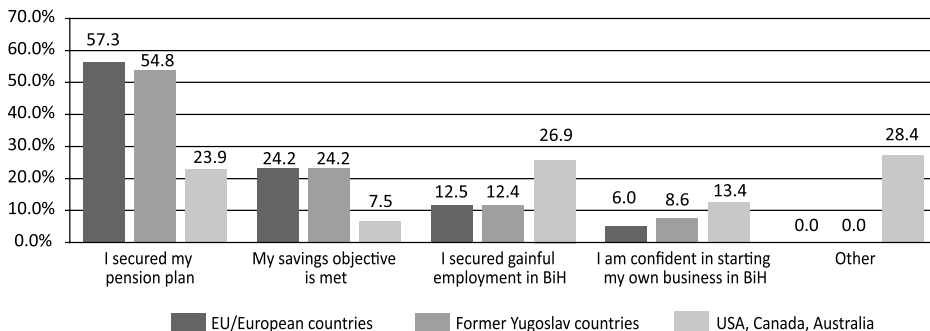
Figure 18: “Do you expect to return to BiH (for permanent residence) in the future?”



In line with expectations, the number of potential returnees is lowest in the United States, Canada and Australia group interviewed (see Figure 18).

Reaching a savings objective remains the primary condition to be met prior to return for the majority of migrants...

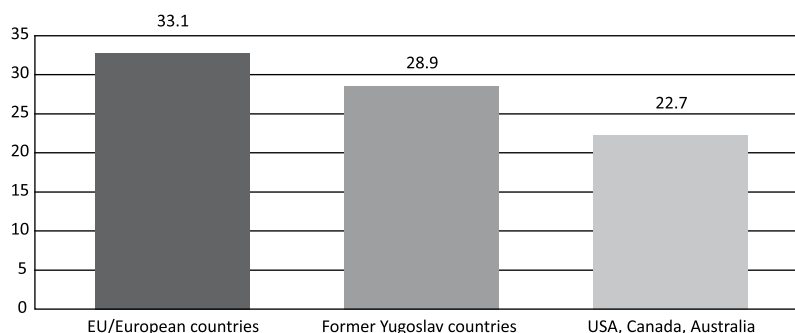
Figure 19: “Which primary condition has to be met before you will consider returning to BiH on a permanent basis?”



As noted, unlike in other countries studied, Figure 19 shows that for Bosnian migrants in Europe and FYU with intentions to return, securing their pension plan is the main goal before return will be considered (57.3%, EU; 54.8%, FYU). Meeting other personal savings objective is another key goal. On the other hand, large numbers of respondents would consider returning if they could secure employment or were confident in starting their own business in BiH. Interestingly, the responses of the third group (United States, Canada and Australia group) were significantly different from the other groups.

The total expected period of migration is significantly longer when compared to other countries in the region...

Figure 20: Total number of years in migration - "In how many years do you intend to return permanently to BiH?" cross-tabulated with "In what year did you migrate to your current place/destination country?"



The average overall projected migration period for potential returnees interviewed is a full 31 years (see Figure 20).

The eventual decision to return is dependent on many interrelated factors, primarily the incorporation and achievement of the migration objective, as well issues related to the socio-economic and regulatory (i.e. reintegration) environment in BiH, as highlighted in Figure 19.

This comparatively longer period of expected migration confirms the maturity of the BiH migration cycle (family composition, children in school, integration, etc.). It seems that about half of the EU/FYU group of migrants wish to return to BiH as pensioners, and not necessarily to earn a living back home.

One proxy indicator of return intentions is the current level of property ownership in the place of origin and the destination country (see Table 12)...

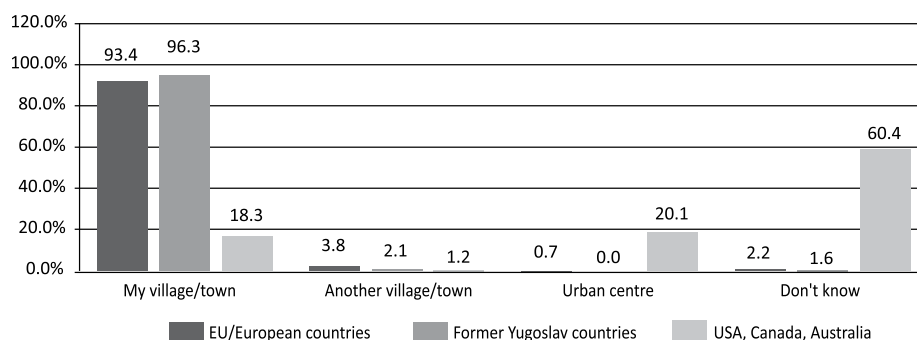
Table 12: “You currently own property in...”

	EU/European Countries	Former Yugoslav Countries	USA, Canada, Australia	Average
BiH	54.6%	38.5%	20.0%	37.7%
Both	11.0%	9.0%	36.5%	18.8%
Neither	20.2%	31.8%	9.6%	20.5%
Destination Country	14.1%	20.8%	33.9%	22.9%
TOTAL	100.0%	100.0%	100.0%	100.0%

High numbers of migrant HHs in EU (65.6%) and the United States, Canada, Australia (56.5%) continue to maintain property in BiH. This drops off somewhat in the FYU group (47.5%); perhaps as a function of their lower income levels, or their relatively high level of property ownership in the destination country.

There is no place like home...

Figure 21: “To which place do you plan to return?”



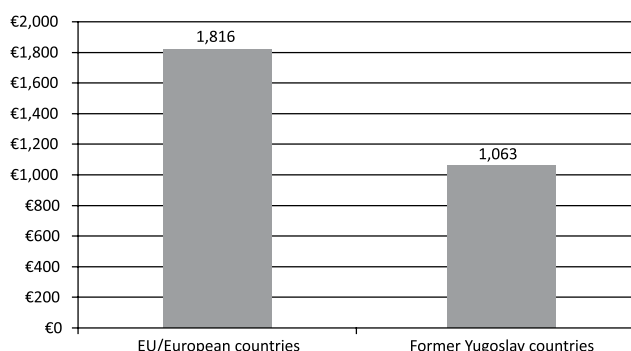
The majority of migrants willing to return to BiH intend to return to their village or town of origin (see Figure 21). This trend is different from other countries in the region, where a general urbanization process can be observed (for example, Albania, where 25 per cent of migrants do not plan to return to their places of origin, preferring urban centres). This phenomenon may confirm the wish to return as a retirement option (as noted previously).

Key financial characteristics

Income and expenditure in the destination country

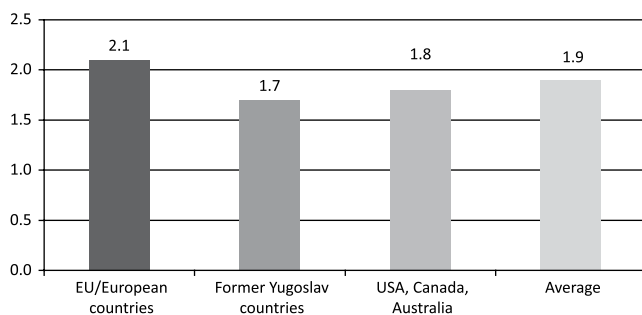
The average monthly net income of interviewed BiH migrants in EU countries is EUR 1,816, or nearly twice the income of fellow BiH migrants working in FYU countries (see Figure 22)...

Figure 22: “What is your personal (not household) net monthly average income from all sources at your place of migration (in euro)?”



The personal reported income levels in the United States, Canada and Australia are much higher. Most HHs are composed of multiple earners...

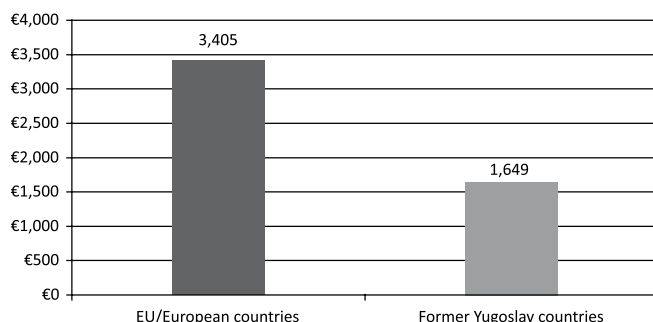
Figure 23: “How many of the above persons, including yourself, are receiving a regular income in (destination country)?”



With 2.1 as an average (as shown in Figure 23), the number of income earners per migrant HH is higher in EU/European countries than in former Yugoslav countries.

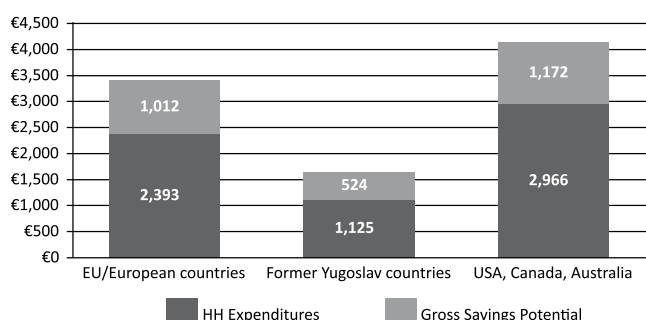
***More migrant earners contribute to a higher overall household income
(see Figure 24)...***

Figure 24: “Can you estimate the total net average of the incomes of all the people you mentioned as part of your migrant household, including yourself, per month?”



But BiH migrants in the FYU group have lower expenditures...

Figure 25: “Can you estimate the total net average of the incomes of all the people you mentioned as part of your migrant household, including yourself, per month?”; “On average, how much does your household spend per month in the destination country?”



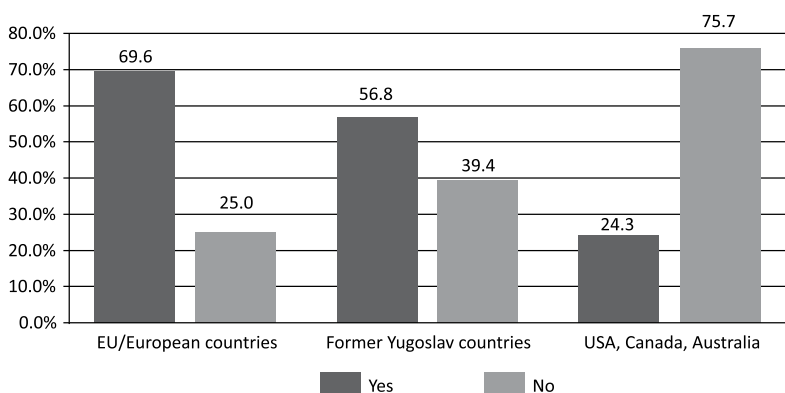
BiH migrants in the FYU group have lower expenditures as a function of: a) the lower number of HH members and b) the lower living costs in FYU (see Figure 25). Therefore, while savings are still relatively low in absolute terms (EUR 524 savings, in comparison with the EUR 1,012 saved by Bosnian migrants per month in EU/ European countries), FYU-based migrants have a somewhat higher gross savings potential⁴⁵ as a percentage of their overall HH income (46.6% of income, in comparison to 42.3% in the EU countries and 39.5% in the United States, Canada and Australia). In addition, important risk and cost considerations associated with the migration process are lower.

⁴⁵ “Gross savings” are defined as the difference between HH income and expenditures in the destination country and do not include savings related to mandatory deductions (pensions, social security, etc). Eventual remittances are gained from these gross savings. “Net savings” are defined as the balance of savings remaining after the remittance value (if any) has been deducted. This approach is repeated in Table 20, overview table, key financial characteristics.

Savings

More than two thirds of Bosnian migrants in EU countries indicate that they are regularly saving money from their income earned in the destination country...

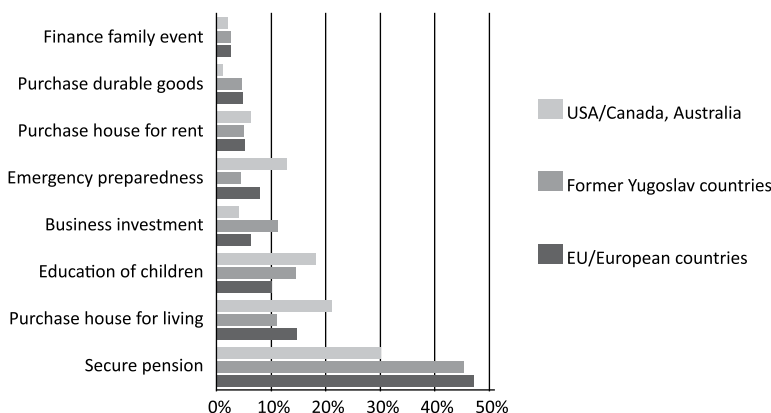
Figure 26: “Do you or your household regularly save money from the income earned in the destination country?”



The saving behaviour of Bosnian migrants is lower when they reside in former Yugoslav countries (56.8%), and even lower in the United States, Canada and Australia, as shown in Figure 26.

Bosnian migrants have clearly defined savings objectives. In line with their return intentions (see Figure 19), securing their pension plan is the number one savings objective for all Bosnian migrants...

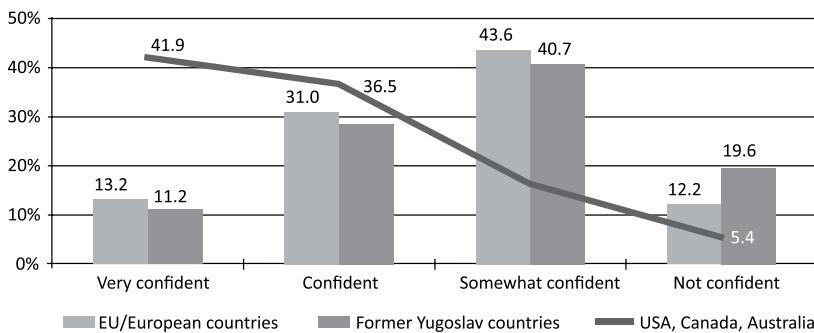
Figure 27: “Please rank the top three savings objectives that your household wants to achieve during your period of migration”



BiH migrants are the only group studied so far that consider “securing their pension” as their most important savings objective during their period of migration (see Figure 27). In other studies, issues such as “education of children”, “investment for business” and “purchase of home” were predominant, this is most probably due to the relative maturity of the BiH migration cycle and the issues described in the section above. The farther Bosnian migrants are from home, the more important savings become for them, in preparation for emergencies (12.9% for migrants in United States, Canada or Australia, but only 4.5% for migrants in former Yugoslav countries).

Bosnian migrants in EU and FYU are not very confident in reaching their savings objectives ...

Figure 28: “How confident are you in reaching your savings objectives?”



More than half of the respondents residing in EU/European countries (55.8%) are only “somewhat confident” or “not confident” in reaching their savings objective. Bosnian migrants in former Yugoslav countries are even less optimistic: over 60 per cent are only “somewhat confident” or “not confident” at all. Moreover, BiH migrants in these two groups are comparatively less confident than their cohorts from Albania, Kosovo/UNSC 1244 and the Republic of Moldova. In the online survey, Bosnian migrant respondents in the United States, Canada and Australia are much more confident: 78.4 per cent are “very confident” or “confident” in reaching their savings objectives (see Figure 28).

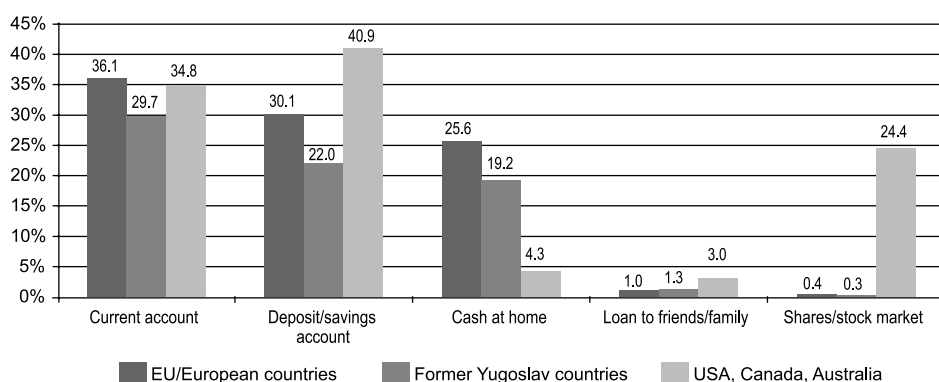
The majority (84.1% on average) of Bosnian migrant/savers are regularly saving their money in their destination countries (see Table 13)...

Table 13: “Where does your household regularly save money?”

	EU/European countries	Former Yugoslav countries	USA, Canada, Australia	Average
1. BiH	2.7%	8.3%	0.0%	3.7%
2. Place of migration	89.2%	71.3%	91.8%	84.1%
3. Both	8.1%	20.4%	8.2%	12.2%
TOTAL	100.0%	100.0%	100.0%	100.0%

As noted previously, BiH migrants are “highly banked”. In their destination countries, savings are kept mainly in banks (current accounts or deposit/savings)...

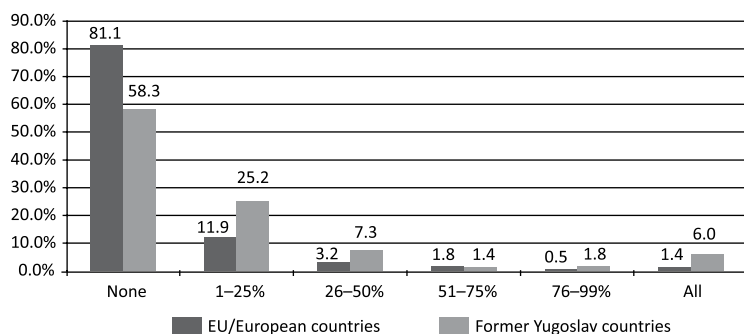
Figure 29: “In (destination country), you keep your household savings in...”



Interestingly, one fourth of the respondents residing in EU/European countries have a higher propensity to keep their savings in cash at home (one fourth) than fellow migrants in former Yugoslav countries (19.2%), as presented in Figure 29.

Less than one fifth of Bosnian migrants in EU countries keep even a portion of their savings in BiH (see Figure 30)...

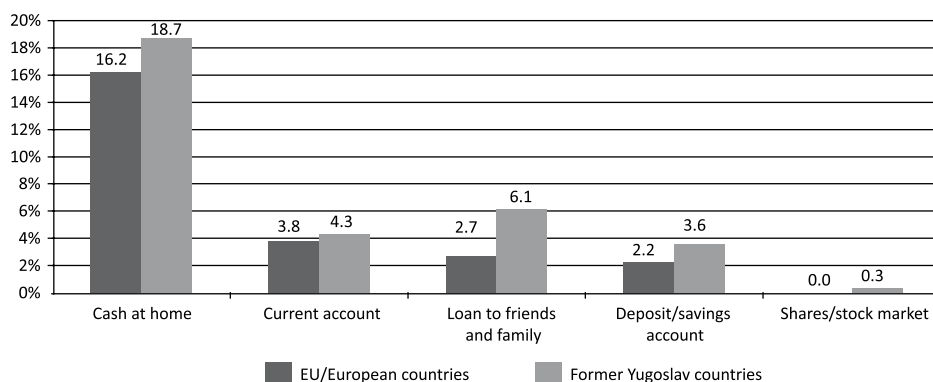
Figure 30: “Can you estimate the share of household savings that is kept in BiH?”



This is markedly different for migrants living in former Yugoslav countries, where 41.7 per cent keep at least some of their savings in BiH

And for those that do, BiH banking is clearly not a popular place to keep savings...

Figure 31: “In BiH, you keep your savings in...”

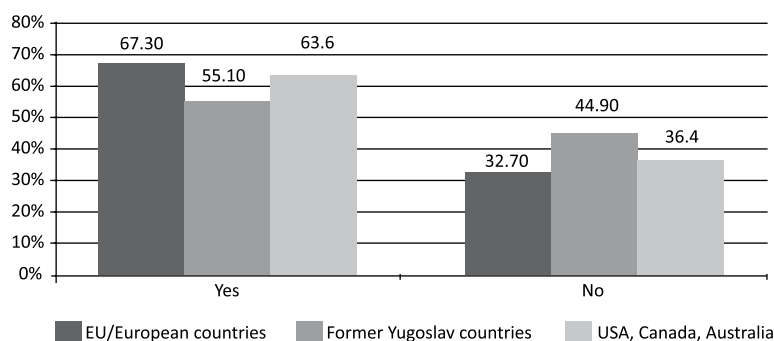


When comparing Figures 29 and 30 with Figure 31, it is possible to see that savings behaviour of Bosnian migrants in BiH differs completely from their savings behaviour abroad. Most migrants simply keep their BiH-based savings in cash at home, with very few availing themselves of either savings or current accounts.

Remittances

The majority of Bosnian households in destination countries regularly send remittances to BiH, though the amounts are less than might be expected...

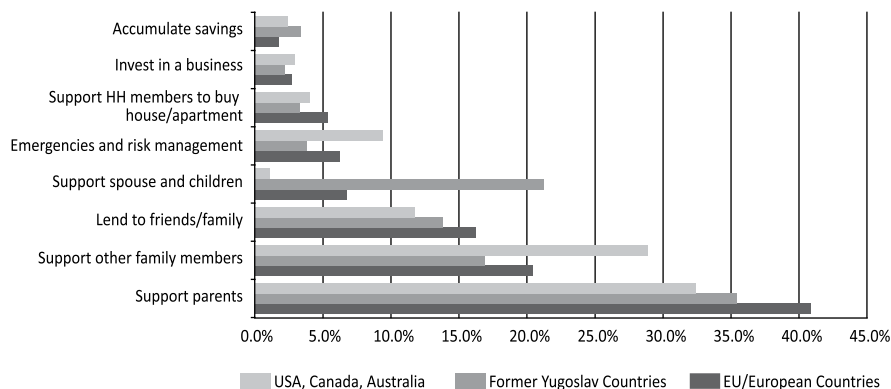
Figure 32: “Did you or a member of your household in migration transfer money to BiH in 2009 (including hand-carry?)”



Two thirds (67.3%) of migrants in EU/European countries transferred money in 2009, including hand-carry. The percentage of remittance-sending migrants in former Yugoslav countries is lower – only 55.1 per cent of this group sent money home in 2009. According to the online survey, 63.6 per cent of Bosnian migrants in the United States, Canada and Australia are sending remittances (see Figure 32). These findings are substantially lower than for other countries studied.

Most Bosnian migrants send remittances to “support parents” and “support other family members”...

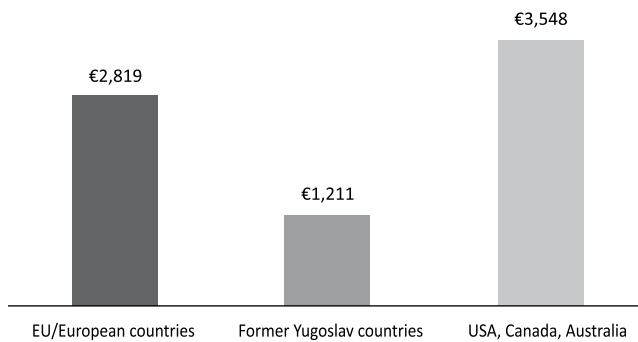
Figure 33: “Can you rank the most important purposes for transferring money to BiH?”



Findings shown in Figure 33 reflect a high rate of family reunification, and are consistent with findings in other countries studied, except for the Republic of Moldova, where “supporting spouse and children” remains the dominant motivation. Note the higher number of migrants in FYU countries remitting to “support spouse and children” (21.2%). The values for specifically remitting to “invest in a business” or “accumulate savings” are also markedly lower than similar values for the Republic of Moldova, Kosovo/UNSC 1244 and Albania.

The average remittance value of Bosnian migrant HHs (i.e. those that remit) in EU countries and in the United States, Canada and Australia is about the same at EUR 3,600...

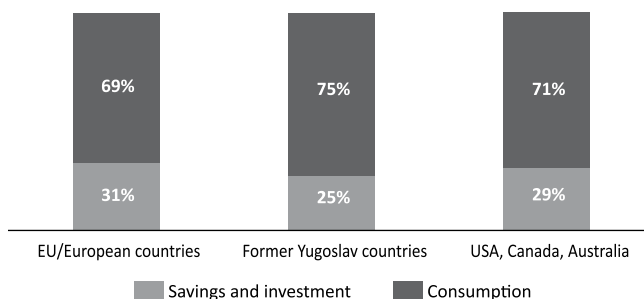
Figure 34: “Can you estimate the total value of these transfers in 2009?”



While the same value from remitting HHs in former Yugoslav countries is much lower (about EUR 1,200), as Figure 34 shows.

Still, a considerable percentage of the remittances sent were thought by the remitters to be saved or invested...

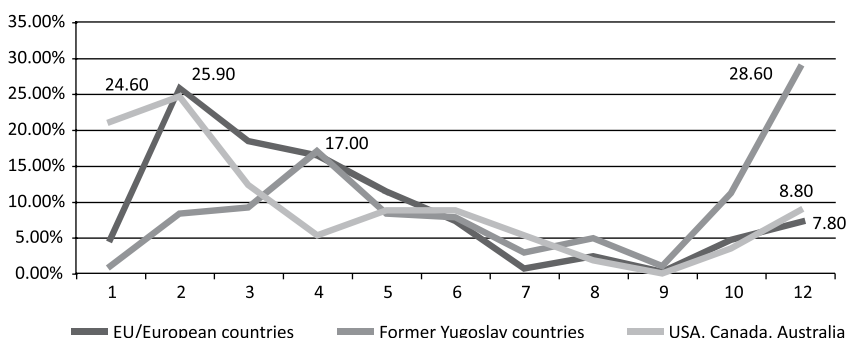
Figure 35: “Of the amount transferred in 2009, what amount do you think was consumed, saved and invested?”



The percentage of annual remittances from Bosnian migrants in EU countries that is sent for consumption is about 69 per cent (see Figure 35). The percentage is slightly higher for migrants in FYU countries.

Bosnian migrants in EU/European countries carry out an average of 4.4 remittance transfers to BiH per year...

Figure 36: “How many such transfers took place in 2009, including those hand-carried/sent in cash?”



On the other hand, migrants residing in former Yugoslav countries remit 7.2 times per year— migrants from both the EU and the FYU send mostly by hand-carry. Interestingly, 28.6 per cent of migrants in former Yugoslav countries send money home every month, most probably to support their spouses (see Figure 36). At 4.2 times per year, Bosnian migrants in the United States, Canada and Australia carry out about the same number of annual transfers as the EU group.

The majority of remittance transfers (by value) originating from EU and FYU countries continue to take place through “informal channels”...

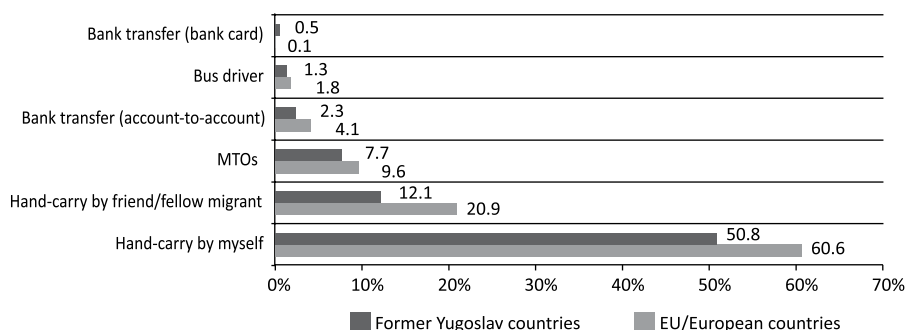
Table 14: “Of this amount transferred in 2009, what percentage do you think was...”

	EU/European countries	Former Yugoslav countries	Total
Sent by MTO/bank	21.5%	24.2%	22.5%
Carried/sent in cash	78.5%	75.8%	77.4%
TOTAL (calculated)	100.0%	100.0%	100.0%

On average, only 22.5 per cent of the value of financial transfers was reportedly carried out through formal channels (banks or MTOs), as shown in Table 14.

Informal channels remain the preferred means of money transfer for the vast majority of Bosnian migrants living in EU (83.2%) and FYU (64.2%) countries...

Figure 37: “What is your favourite means of money transfer to BiH?”

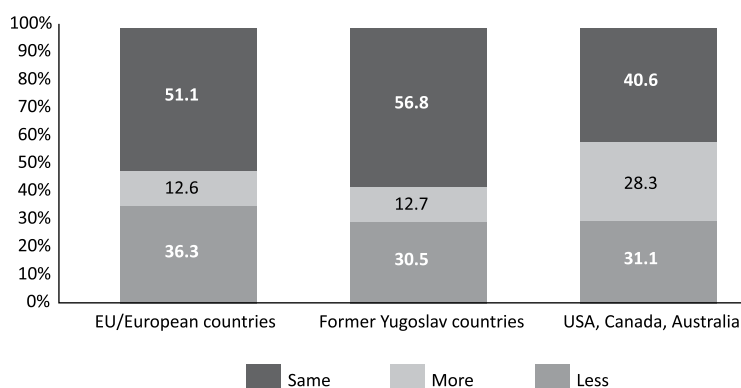


Informal channels are calculated as the total for “hand-carry myself”, “friend hand-carry” and “bus driver” (see Figure 37).

Perhaps reflecting their relative distance and fewer home visits, migrants in the United States, Canada and Australia slightly prefer bank transfers (22%), but still to a much lesser extent than one might expect.

The current financial crisis and economic downturn has clearly influenced remittance behaviours...

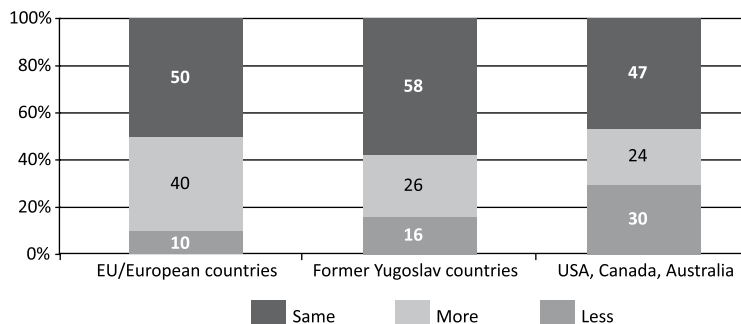
Figure 38: “Do you think more or less money was sent by your household to BiH in 2009, when compared to previous years?”



When asked if more or less money was sent by their HH to BiH in 2009, when compared to previous years, clear majorities in EU and FYU groups sent less (see Figure 38).

While remaining more or less stable, there is little chance of a huge recovery in remittance values in 2010...

Figure 39: “Do you expect your household to transfer more or less money to BiH in 2010, when compared to 2009 (USA, Canada, Australia)?”



As shown in Figure 39, half of the respondents who are working in EU/European countries are expecting to send the same amount of remittances to BiH in 2010 as in 2009. Migrants in former Yugoslav countries are more optimistic (58%), while 30 per cent of migrants in the United States, Canada and Australia believe that less money will be sent in 2010.

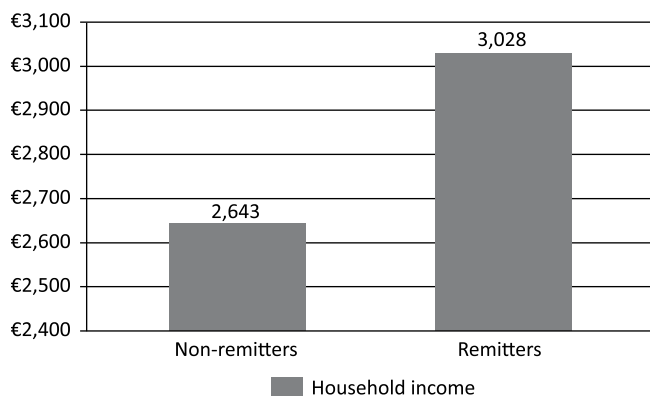
Non-remitting households

Non-remitting HHs represent 35 per cent of all migrant HHs. This group is primarily characterized by a high level of family reunification in the place of migration. Seventy-eight per cent of married migrants who have achieved family reunification in the destination country remit. In comparison, 88 per cent of married migrants who did not achieve family reunification in their destination countries are sending remittances to BiH.

The percentage of non-remitters in former Yugoslav countries (46%) is higher than in EU/European countries (33%). This may be explained by: a) their much lower rate of marriage (62%) as compared to EU/European countries (72%); b) their significantly lower return intentions (42%, compared to 51% for EU/European countries); as well as, c) their relative youth (about three years younger on average than those in EU).

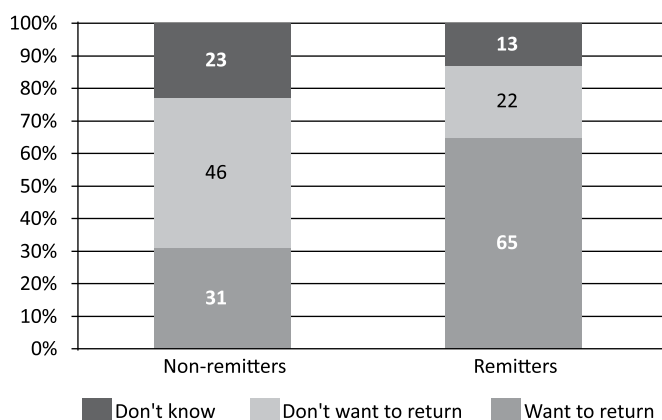
The average income of non-remitting migrant HHs is lower than the income of HHs that do send remittances to BiH (see Figure 40)...

Figure 40: “Can you estimate the total net average of the incomes of all the people you mentioned as part of your migrant household, including yourself, per month?”



While education, and communication behaviours are more or less the same between remitters and non-remitters, the return intentions are clearly different (see Figure 41)...

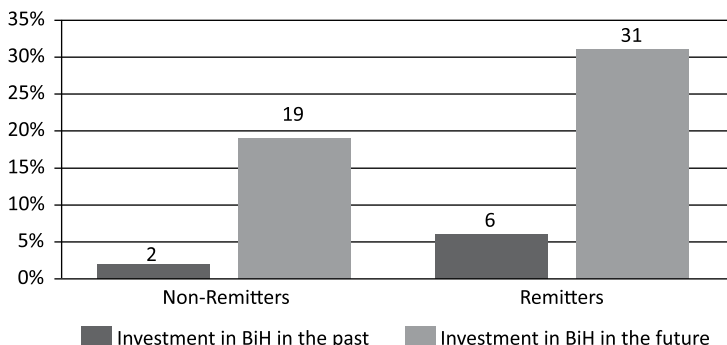
Figure 41: “Do you expect to return to BiH (for permanent residence) in the future?”



Confirming the issues and proxy indicators used in the “migration maturity section”, only 6 per cent of Bosnian migrants who do not send remittances continue to maintain a bank account in BiH. In comparison, 22 per cent of remittance senders have a bank account in BiH. The banking level in the destination country is high for both groups (above 94%).

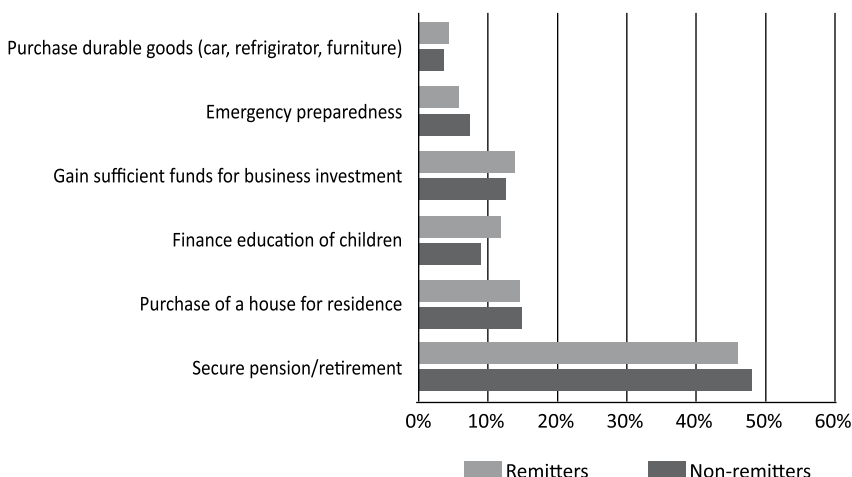
While they may have been non-investors in the past, many non-remitters in 2009 may choose to remit in the future (i.e. 19%), including for investment purposes, though not at the same level as remitters (see Figure 42)...

Figure 42: “Have you invested in or provided credit to a business enterprise in BiH in the past?”; “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



Remittance senders have practically the same savings objective as non-remitters. Securing their pension is the first reason for both groups (see Figure 43)...

Figure 43: “Please rank the top three savings objectives that your household wants to achieve during your migration abroad”



V. Investment section

Very few migrants have invested in BiH to date (see Table 15)...

Table 15: “Have you invested in or provided credit to a business enterprise in BiH in the past?”

	EU/European countries	Former Yugoslav countries	USA, Canada, Australia	Average
Yes	6.0%	2.2%	10.2%	6.1%
No	94.0%	97.8%	89.8%	93.9%
TOTAL	100.0%	100.0%	100.0%	100.0%

This average of past or current investment is significantly lower than other countries studied.

Clearly, most BiH migrant HH are savers, rather than investors or entrepreneurs. Still, a large number of Bosnian migrants in EU and FYU countries have invested or intend to invest in their destination country, as shown in Table 16...

Table 16: “Have you invested or do you plan to invest in a business in (destination country)?”

	EU/European countries	Former Yugoslav countries	USA, Canada, Australia	Average
Yes	21.4%	21.0%	54.6%	32.3%
No	78.6%	79.0%	45.4%	67.7%
TOTAL	100.0%	100.0%	100.0%	100.0%

The respondents to the online survey (migrants from BiH in the United States, Canada and Australia) indicate a much higher interest to invest in their destination country.

Looking forward, an equally significant number of all Bosnian migrant HHs are planning to initiate or expand an investment in a business enterprise in BiH in the future (see Table 17)...

Table 17: “Do you plan to initiate or expand an investment in a business enterprise (including in the real estate sector) in BiH in the future?”

	EU/European countries	Former Yugoslav countries	USA, Canada, Australia	Average
Yes	27.9%	22.7%	27.3%	26.0%
No	72.1%	77.3%	72.7%	74.0%
TOTAL	100.0%	100.0%	100.0%	100.0%

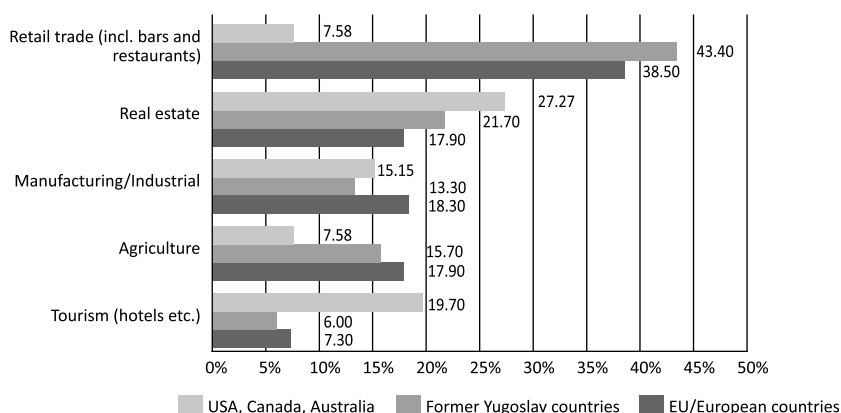
While seemingly large when compared to the BiH populations as a whole, the overall level of investment interest amongst migrant HHs for their country of origin is a little bit more than half of the investment interest found in relation to migrants from Albania, Kosovo/UNSC 1244 or the Republic of Moldova.

This may be related to the longer expected migration period and the higher wish to return for retirement purposes amongst BiH migrants.

Moreover, the investment intentions of BiH migrants in the FYU countries is somewhat lower than the equivalent interest among migrants from the other groups, perhaps as a function of their lower income levels.

Small-scale service industry and property remain favoured investment sectors...

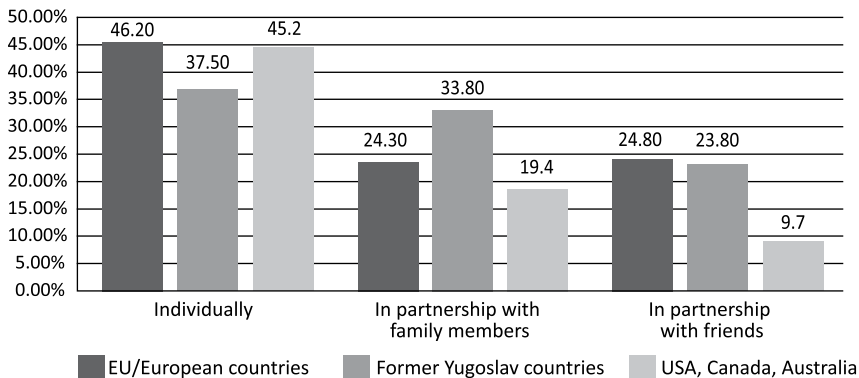
Figure 44: “In which sectors do you plan to invest?”



As Figure 44 shows, there is a clear difference in the sector of interest of the EU/FYU groups when compared to migrants based in the United States, Canada and Australia.

Reflecting their sectoral and small-scale investment ambitions, Bosnian migrants prefer to invest mainly individually, or in partnership with family members...

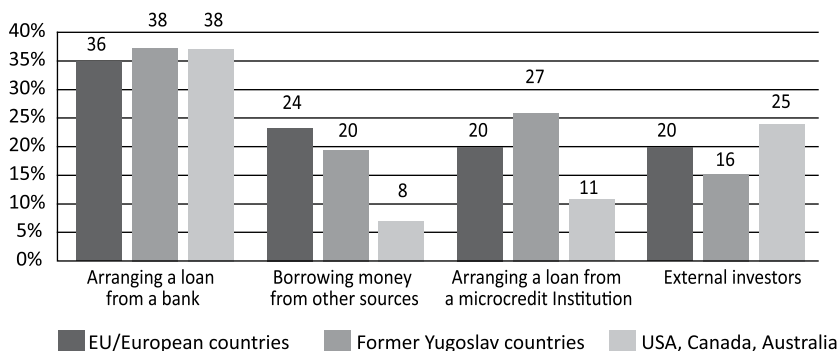
Figure 45: “How do you plan to invest in your business?”



However, the percentage of migrants who are planning to invest in partnership with friends is higher, than in some other countries in the region (see Figure 45). This may be an indicator of a relatively high social cohesion in BiH.

For potential investors, accessing suitable credit will remain an important issue...

Figure 46: “Do you plan to supplement the above investment(s) through other means such as...”



As shown in Figure 46, those Bosnian migrants planning to invest in BiH are planning to supplement their investment through one or more other means, such

as bank loans (36%-38%). Microcredit providers are more interesting for migrants residing in other former Yugoslav countries (27%).

In general, the borrowing ambition reflects the investment intentions and short-term ambitions, that is, primarily trade credit.

This may also reflect the constraints of the current availability of credit in the marketplace, with very few long-term loans being issued at the present time.

The vast majority of potential investors are planning to invest in their places of origin in BiH (see Table 18)...

Table 18: “Do you plan to invest in...”

	EU/European countries	Former Yugoslav countries	USA, Canada, Australia	Total
Your place of origin	95.1%	85.7%	66.7%	82.5%
Place of migration	3.9%	14.3%	0.0%	6.1%
Sarajevo	0.5%	0.0%	18.2%	6.2%
Other	0.5%	0.0%	15.2%	5.2%
TOTAL	100.0%	100.0%	100.0%	100.0%

This investment intention reflects and confirms the return intention cited in Figure 21, showing that the vast majority of migrants willing to return to BiH intend to return to their village or town of origin.

The majority of Bosnian migrants agree that the skills and experience they have obtained during their migration influenced their investment interest, as shown in Table 19...

Table 19: “Have the skills and experience you obtained during your migration influenced your investment interest?”

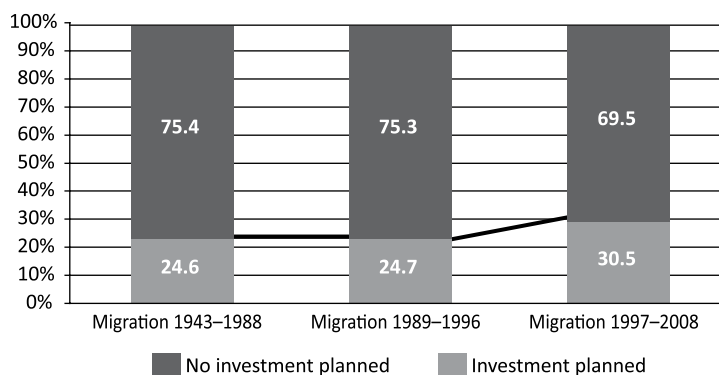
	EU/European countries	Former Yugoslav countries	USA, Canada, Australia	Average
Yes	80.9%	92.0%	90.3%	87.7%
No	19.1%	8.0%	9.7%	12.3%
TOTAL	100.0%	100.0%	100.0%	100.0%

Comparing potential investors with non-investors

For analytical purposes, the respondents to the migrant survey were divided into two groups: Migrants who are planning to invest in a business enterprise, including in the real estate sector, and those who do not have plans to do so. In general, the profiles of both groups are very similar.

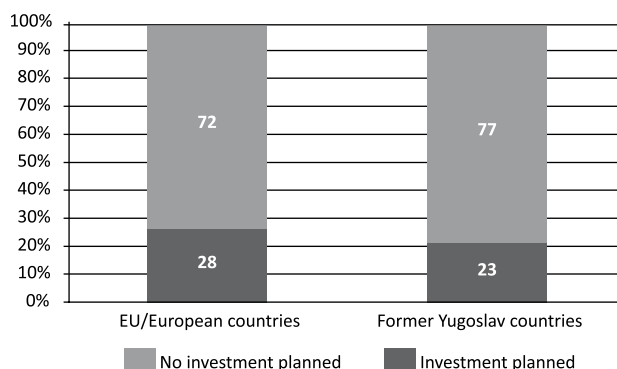
The investment intentions of Bosnian migrants are alike. The time spent in migration only influences their investment plans marginally (see Figure 47)...

Figure 47: “In what year did you migrate for the first time?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



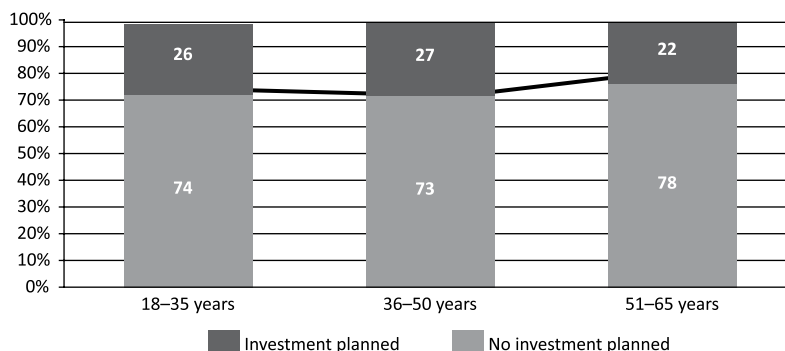
The destination country or region is a factor influencing the investment interest of migrants, but it is not a dominant one (see Figure 48)...

Figure 48: “Country of current migration” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



When comparing the age of the respondents and their investment interest, the intentions are almost similar across all ages (see Figure 49)...

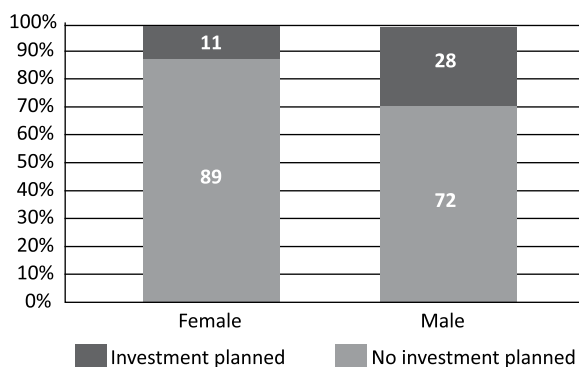
Figure 49: “What is your age?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



The same picture emerges when asked about their marital status. Four thirds of both groups are married.

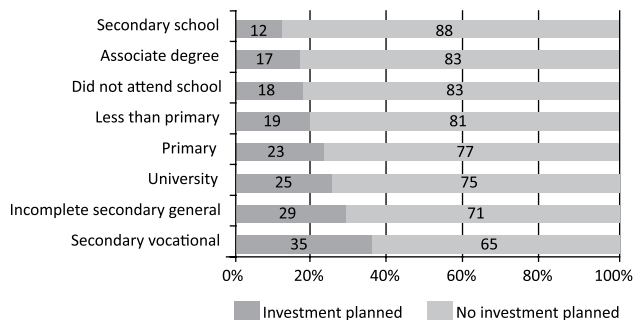
Female respondents indicated a lower interest in investment in BiH (see Figure 50)...

Figure 50: “What is your gender?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



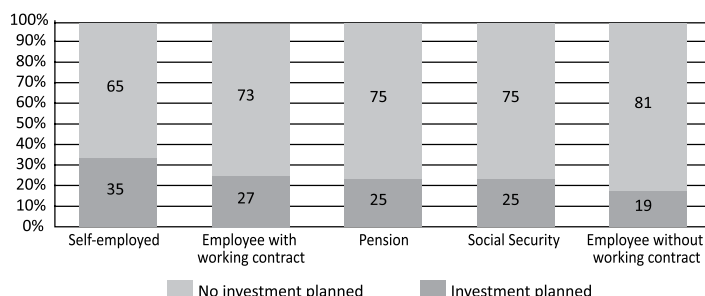
More than one third of respondents with secondary vocational education prior to migration declared an investment interest in BiH (see Figure 51)...

Figure 51: “What level of education did you complete prior to migration?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



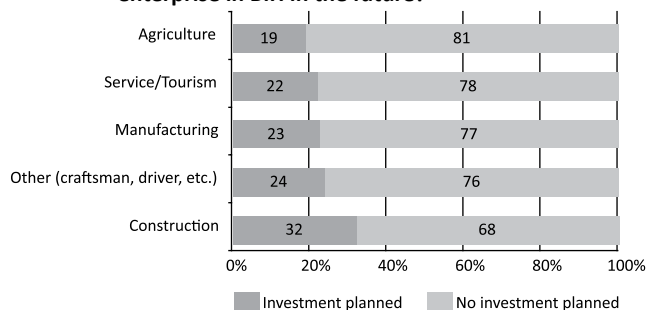
More than one third of self-employed migrants from BiH declared an investment interest in their place of origin (see Figure 52)...

Figure 52: “What was your main source of income in 2009?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



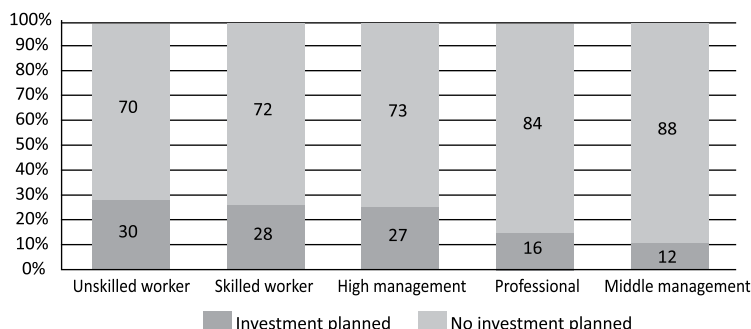
In the different sectors of employment of BiH migrants, a slightly higher interest to invest in businesses in BiH was indicated in the construction sector (see Figure 53)...

Figure 53: “What was your primary sector of employment in (destination country) in 2009?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



The interest to invest in BiH was slightly higher for migrants employed as workers (skilled and unskilled). This correlated positively with their relatively high return intention (two thirds of this group expect to return to BiH), as shown in Figure 54...

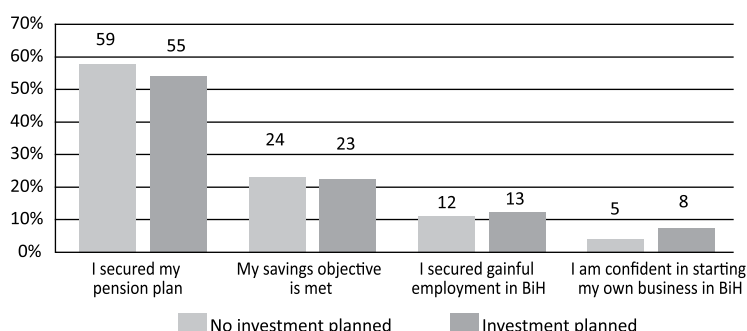
Figure 54: “Specify your level of employment in 2009 in your destination country” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



There is no substantial difference in income levels of migrants who intend to invest in BiH, and migrants who do not (EUR 1,590 versus EUR 1,623). The same applies to their HH incomes (EUR 2,917 versus EUR 2,917 per month).

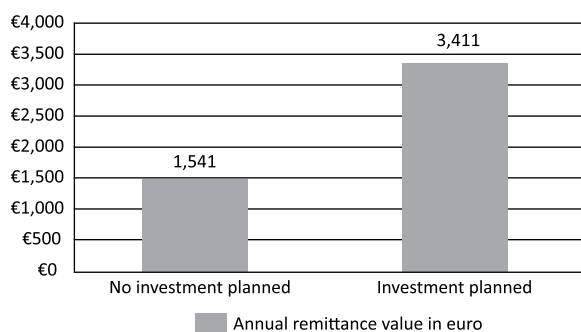
Securing their pension/retirement plan is the main condition for migrants before considering return to BiH. There is no significant difference between potential investors and non-investors, as Figure 55 shows...

Figure 55: “Which primary condition has to be met before you will consider returning to BiH on a permanent basis?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



Migrants planning to invest in BiH are remitting more than twice as much as migrants who have no such intentions (see Figure 56)...

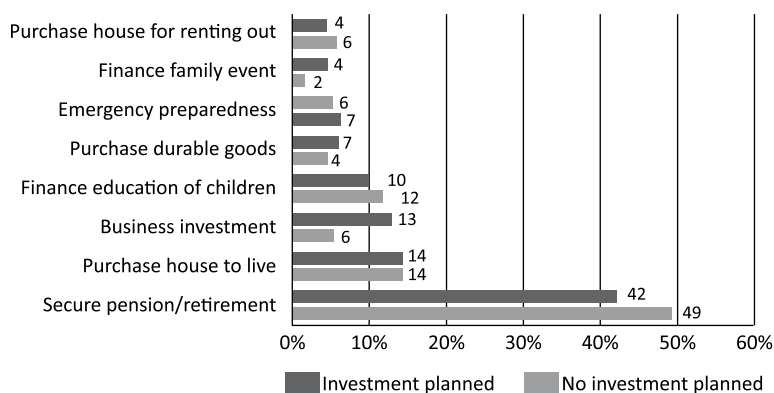
Figure 56: “Can you estimate the total value of [remittance] transfers in 2009?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



Interestingly, nearly half (47%) of migrants who are not planning business investments in BiH are not remitting at all.

Figure 57 compares the savings objectives of BiH migrant HHs between potential investors and non-investors...

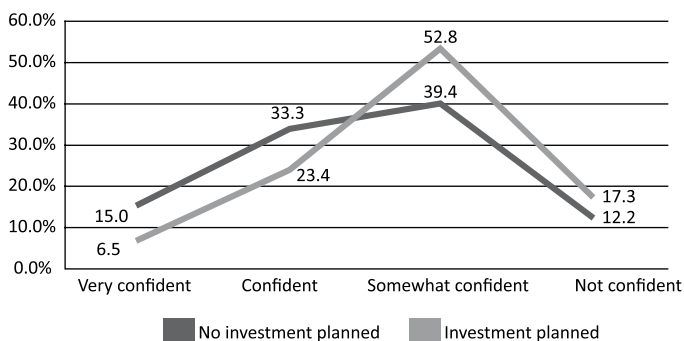
Figure 57: “Please rank the top three savings objectives of your household to be achieved during your period of migration” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



Securing a pension and purchasing a residence remain the two main objectives, of both potential investors and non-investors in BiH. The amount of savings objectives is the same for migrants who intend to invest and those who do not (about EUR 95,000).

Interestingly, migrants who are planning some business investment in BiH in the future are less optimistic in reaching their savings objectives than migrants without such plans (see Figure 58)...

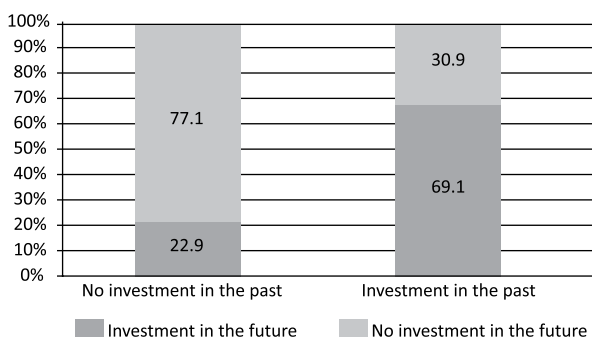
Figure 58: “How confident are you in reaching your savings objectives?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



A possible explanation for this finding is that migrants with an investment interest in BiH plan to invest when they have not fully reached their main savings objective (i.e. securing their pension plan), in order to supplement an (otherwise) insufficient pension plan.

Migrants who invested in a business in BiH in the past are more likely to invest in the future (see Figure 59)...

Figure 59: “Have you invested in or provided credit to a business enterprise in BiH in the past?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”



Overview table

In line with other countries researched, Bosnian migration carries within it the theoretical potential to significantly impact the socio-economic development of the country....

Table 20: Key financial characteristics

	Republic of Moldova	Albania	Kosovo/ UNSC 1244	Bosnia	Bosnia	Bosnia
	Total	Total	Total	EU/Other	FYU	Total
	2009	2008	2008	2009	2009	2009
HH Income Monthly (Euro)	1,176	2,305	3,841	3,405	1,649	2,864
Number of Incomes per HH	1.27	1.87	2.03	2.1	1.7	2.0
HH Expenditures Monthly	489	1,457	2,210	2,393	1125	1,999
HH Savings Monthly	688	848	1631	1,011	524	865
HH Income Annually	14,112	27,660	46,092	40,860	19,788	34,368
Annual GROSS HH Savings	8,256	10,180	19,572	12,132	6,288	10,383
Annual Remittance Values	3,678	1,673	2,946	2,189	1,211	1,874
of which Saved and Invested (S+I)	-42%	-19%	-29%	-31%	-25%	-29%
Consumption in Euro	2,138	1,363	2,092	1,507	911	1,325
Annual HH Savings Abroad	4,578	8,507	16,310	9,943	5,077	8,508
S+I Component of Remittances	1,540	309	854	681	300	549
Total Savings/Invest (Abroad + Home)	6,118	8,816	17,164	10,625	5,377	9,057
Annual HH NET % of Income Saved Abroad	32%	31%	35%	24%	26%	25%
Annual HH NET % Saved Abroad + Home	43%	32%	37%	26%	27%	26%
ANNUAL SAVINGS ABROAD	559	3,437	2,535	4,268	392	4,660
TOTAL	million	million	million	million	million	million
ANNUAL REMITTANCES	448	676	456	939	93	1,033
TOTAL	million	million	million	million	million	million
SAVINGS TO REMITTANCE FACTOR	1.25	5.1	5.5	4.5	4.2	4.5

Note:

aa) The EU/Other group includes the United States, Canada, Australia and other high migration countries and, for the sake of analysis and consistency, extrapolates the findings of the migrant survey to these countries rather than relying on the online survey results.

bb) The estimated range of numbers of BiH HHs in the EU/Other group ranges from 480,000 to 536,000. We use the average of these estimates at 429,260 HHs. This would imply that 84.5 per cent of all BiH HH in migration are in this group.

cc) Former Yugoslav countries have an estimated 77,216 HHs, or 15.2 per cent of the total.

dd) Moldovan HHs in the EU/Other group: 64,172 (52.6%); Moldovan HHs in CIS group: 56,904 (47.4%).

ee) Number of HHs in Albania: 404,000.

ff) Number of HHs in Kosovo/UNSC 1244: 149,000.

Financial overview

When comparing BiH with other countries in the region with high intensities of migration, it is possible to identify some key characteristics that are both shared and unique.

Bosnia's relatively mature migration cycle, as described above, and in particular regarding a high level of family reunification/integration, results in relatively high HH incomes in destination countries – EUR 2,864 on average (but as expected, a large difference exists between the EU/Other and the former Yugoslav area (FYU) groups in this regard).

Another factor in determining overall HH income is the higher number of HH members noted previously, which results in a higher number of those members generating incomes. In the case of Bosnian migrants in EU countries (4 HH member and 2.1 income earners on average), these are the highest values recorded amongst countries surveyed to date.

At the same time, it can be seen that a geographic focus of destination countries in relatively “high-cost countries” such as Austria, Germany, Switzerland, Italy, the United States, Canada and Australia, also results in higher expenditure levels for Bosnian migrant HHs (the highest expenditure level of the countries researched to date). This can also be explained by the high level of family reunification, including an unusually high number of other family members (see above).

This combination of HH income and expenditure results in a comparatively low, but still notable, propensity to save amongst these BiH HHs of between 25 per cent and 26 per cent (as compared to 31% to 43% in the other countries studied).

It is important to recall at this point that this net savings level is in addition to remittance values.

If the savings/investment component of the remittances is included in an overall savings calculation the propensity to save amongst BiH HHs is about 26 per cent to 27 per cent. While substantially higher than the normal savings rates of their respective host populations, this is still relatively low when compared to migrant HHs from the Republic of Moldova (43.4%), Kosovo/UNSC 1244 (37%) and Albania (32%).

A comparison of remittance values reveals that at EUR 1,874 per annum, Bosnian HHs remit average amounts when compared to migrants from the other countries

studied to date, and at a level which is considered consistent with the maturity level of the overall migration process.

In addition to the above, and contrary to most literature on this subject, approximately one third (29%) of current remittance values were being saved or invested in BiH. This savings/investment component of current remittances by BiH migrant HHs is therefore near the regional average. This topic is further examined in the following section of this report.

What is interesting to note at this point is that when the respective “savings and investment component” of remittances is deducted from each country researched, the actual “consumption component of remittances” becomes quite similar. While requiring more analysis, the remaining difference in consumption in percentage, not absolute value, may have to do with the family composition remaining in the place of origin (i.e. number and relation of dependents) as well as relative purchasing-power parity considerations between these countries of origin.

In addition, it is important to note that 35 per cent of BiH migrant HHs did not remit at all. This is the highest number of non-remitters in the region. Again, this feature can be explained, on the one hand, by the maturity of the migration cycle (primarily very high level of family reunification in the place of migration) and, on the other hand, by the relatively low return intentions. It is also consistent with the tendency towards higher expenditures in the destination country. These factors would together point towards a high level of integration in the destination country.

This relatively high consumption level, combined with average remittance value, is reflected in the remittance-to-savings factor for BiH, which at 4.5 is about 80 per cent of the Kosovo/UNSC 1244 and Albania findings.

While the individual HH savings rate can be considered as below average compared to other countries researched, the amount of savings accumulated by Bosnian migrants is still sizeable. With a higher number of HHs estimated to be in migration (between 480,000 and 536,000) the total estimated pool of “retained savings” in 2009 is EUR 4,660 million. This is the highest amount of total savings compared to the regional research done for 2008 and 2009 in Kosovo/UNSC 1244, Albania and the Republic of Moldova.

VI. Conclusions and recommendations

Key conclusions

The overall aim of this research is to provide relevant stakeholders in government and the private sector in BiH with primary and reliable data, information, analyses and recommendations related to: a) key migration and development issues, b) supporting the design of possible intervention models, and thereby c) supporting overall sustainable development of the country.

To allow for cross-country analysis of accumulated data, a standard multifaceted research methodology entailing the use of mutually reinforcing qualitative and quantitative approaches was applied. To inform the survey work and provide necessary background information, desk research on available literature, statistics and information related to key BiH migration and environmental issues such as migration trends, the business environment and the financial intermediation sector was carried out.

In the context of this report, a large-scale survey of 1,216 BiH long-term migrants was carried out from December 2009 to January 2010. This period was selected in order to capture a representative sampling amongst the high number of long-term migrants returning to BiH during the traditional holiday season.

The data presented and analysed in the preceding pages confirms some key trends identified in other SEE countries, and differs in others. These trends were identified by use of an analytical framework and integrated research methodology that focused on long-term BiH migrants as a distinct market segment and gaining insight into their priority migration, savings and investment behaviours. The focus primary research unit was the migrant HH in the destination country with a focus on its private financial arrangements, that is, personal/family decision-making processes.

As shown in the preceding sections a key migration-related objective of many BiH migrants is to build up a certain level of financial capital – often combined with other important skills and contacts – while abroad. Similar in key respects to other countries researched, this savings behaviour of BiH migrants results in a significant pool of “retained savings” to continuously accumulate in cash, investments and banking systems in destination countries. Moreover, the data confirms that these “offshore” savings outshadow current BiH-received remittances when measured over the same period (i.e. 2009), and that they are accumulating.

It was further hypothesized that this accumulated capital has a hitherto unrecognized, but potentially important, catalytic role in the overall development strategy of BiH – especially when combined with the social and human capital BiH migrants have gained and might wish to invest in the realization of their plans and ideas. In short, depending on key factors inherent in the dynamic of circular migration (close ties, possible return, willingness to save/invest, etc.), and assuming that suitable local conditions exist (or can be created), BiH migrants may choose to transfer these retained savings, or a portion thereof, at some future date.

The underlying premise for BiH and other SEE countries therefore is that, while remittances will undoubtedly continue to be important for both country and recipient HHs, it may in fact be the voluntary transfer and efficient intermediation of both “retained savings” and the savings component of current remittances – especially when combined with the social and human capital migrants might wish to invest in the realization of their plans and ideas – which has the greatest potential of being a substantial development opportunity.

When understood and shared, a commonality of purpose (i.e. core migration-related objectives) creates opportunities and incentives to develop suitable common policy frameworks and practical intervention techniques. The challenge therefore is to understand the scope and dynamics of this migration/development potential within the BiH context, as well as current limitations and constraints; and on this basis identifying and putting forward suitable policies, intervention techniques and products. These can be considered by governments (domestically, bilaterally and multilaterally), as well as by financial intermediaries (separately and collaboratively), with each operating in their respective areas of interest.

From the field research and preceding analysis, it is possible to draw tentative conclusions regarding the scope, dynamics and limitations of BiH long-term migration as they relate to the above-mentioned potential development dynamic. Based on these conclusions, this chapter will close by putting forward some proposed areas of intervention and related recommendations.

Migration profile

When comparing BiH with other countries of the region with high intensities of migration, it is possible to identify some key characteristics that are both shared and unique. As with other countries studied, the primary reason for selecting a country of migration is a combination of “better employment chances/better income” and social capital issues (mutual assistance, network/clustering; see below). There is no significant difference between the reasons indicated to select EU or FYU countries as destination countries.

The primary sectors of employment of Bosnian migrants are: construction, service/tourism and manufacturing. In FYU, there are slightly more in the construction sector and fewer in tourism and manufacturing when compared to EU countries. Further, variation often depends on the characteristics of the economy of the country of destination. Similar concentrations in these three sectors are common amongst other SEE countries surveyed to date. Only a small percentage of BiH migrants are working in agriculture.

The majority of respondents residing in the EU and FYU countries describe themselves, in terms of both their educational level prior to migration and their current level of education, as “skilled workers”.

Compared to other countries studied, there are a considerable number of BiH migrants in both middle and high management and in the professions. On the other hand, the number reported to be working as “unskilled” workers is lower than migrants from other SEE countries. When comparing the level of current employment with the level of education (see Figure 7), it is possible to tentatively conclude that BiH migrants are not “underemployed”.

There is a slight trend of migrants in European countries being better educated than migrants who choose to reside in former Yugoslav countries. With an average age of 41.5 at the time of the interview, Bosnian migrants are largely composed of the most economically active part of the population.

Unique amongst countries studied, as a “model of migration” BiH migrants seem to prefer to migrate as a family unit from the earliest stages (partially as a result of forced displacement), whereas in the Republic of Moldova and Albania, for instance, migrants are either male- or female-led depending on the country of migration and cultural considerations, with family reunification (if occurring) taking place as the migrant-leader becomes secured. This is a component of risk and cost management on the part of the HH – and as such, may indicate a higher level of initial regular migration on the part of BiH migrants.

Few BiH migrants prepared for their migration experience in any way. Such lack of preparation is common amongst countries studied, and in the case of BiH may also have been a result of the urgency resulting from displacements caused by the Yugoslav wars. Unlike Albania, for instance, there is little “stepping” from a “first” country of migration to another, with most respondents remaining in their first destination country during their whole migration period.

These findings, together with related factors examined, support the impression of a high level of integration of BiH migrants, and a relatively mature migration cycle, when compared to similar countries of origin within the region.

Understanding the relative maturity of the overall BiH migration cycle is important as it can provide insights into current and future migration and economic behaviours of migrants, including probable return intentions. The interaction between “maturity of the migration cycle” and the “perceived return environment” within BiH are the two related trends influencing the level of today’s remittances as well as future financial transfers.

An assessment of these trends, combined with an understanding of the social and human capital migrants might wish to invest in the realization of their plans and ideas, also allows us to assess the scope and dynamics of the migration/development potential within the BiH context – as well as its limitations and constraints.

The cross-country assessment of maturity was made using a number of quantifiable factors and proxy indicators, including: level of regularization of residency in the place of migration, level of formal banking relations, rate of family reunification, knowledge of the local language, as well as relative integration/prosperity.

Migrants from BiH are largely “successful” insofar as they quickly regularize their status and secure formal employment in their places of migration. If married they either migrate as a unit or are reunified with their immediate families. In fact, the HH composition of Bosnian migrants in EU countries (4 HH members and 2.1 income earners on average) is the highest recorded amongst countries surveyed to date.

These factors enable a large share of HHs to not remit at all (35%).⁴⁶ Of remitting HHs, most send to “support to parents” and “other family members, with a slightly higher number of migrants in the FYU countries remitting to “support spouse and children”. This confirms the high rate of family reunification, and is consistent with findings from the other countries studied, with the exception of the Republic of Moldova, where “supporting spouse and children” remains the dominant motivation.

⁴⁶ This level of non-remitting HHs is the highest in the region.

Bosnia's relatively mature migration cycle, as described above, and in particular regarding a high level of family reunification/integration, is reflected in relatively high HH incomes in the destination country (EUR 2,864, on average; but as expected, a sizeable difference exists between the EU/Other and the FYU groups) in this regard.

At the same time, BiH migrant HHs have high expenditure levels because they are concentrated in destination countries with high costs of living. In fact, they have the highest expenditure level of the countries researched to date. This can also be explained by the high level of HH members in migration.

This combination of HH income and expenditure resulted in a comparatively low, but still very notable, net propensity to save amongst these BiH HHs of between 25 per cent and 26 per cent (as compared to 31% to 43% in the other countries studied). "Net" in this case meaning that these "retained savings" do not include the value of remittances transferred over the same period.⁴⁷ This relatively high consumption level on the part of BiH HHs, combined with a somewhat higher remittance value is clearly reflected in the remittance-to-savings factor for BiH, which at 4.5 is 80 per cent of the Kosovo/UNSC 1244 and Albania findings.

Bosnian HHs remit average amounts, when compared to other countries studied to date (i.e. average EUR 1,874 on an annual basis).

On the other hand, and contrary to most literature on this subject, about one third of these current remittance values are reported by the migrants to be saved or invested in BiH. As a result, the actual consumption component of current remittances by receiving HHs in BiH is quite near the regional average in percentage terms. While requiring more analysis, the remaining difference in consumption values may have to do with an extended family composition remaining in the place of origin (i.e. number and relation of remittance receiving beneficiaries), as well as relative purchasing-power parity considerations between these countries of origin.

Overall and when compared to other SEE countries studied, long-term migrant HHs from BiH are relatively integrated and as a result have gradually ameliorated their socio-economic status in their destination countries. This can be seen from the table on key financial characteristics (see Table 20).

⁴⁷ If the savings/investment component of the remittances is included in an overall savings calculation the propensity to save amongst BiH HH is about 23.5 per cent to 24 per cent. While significantly higher than the normal savings rates of their respective host populations, this is still relatively low when compared to migrant HHs from the Republic of Moldova (42.4%), Kosovo/UNSC 1244 (36.2%) and Albania (32.0%).

As an interim conclusion, it can be stated that the amount of savings accumulated by Bosnian migrants remains substantial. And, due to the high number of BiH HHs estimated to be in migration (conservatively estimated at between 480,000 and 536,000), the total estimated pool of “retained savings” in 2009 is EUR 4,660 million. By simple extrapolation over BiH’s near 20-year overall mass migration experience (since the Balkan wars), it can be estimated that this accumulated capital pool now stands at many billions of euro.

It is also possible to forecast that remittances to BiH from the current cohort of long-term migrants will most likely continue to decrease over the medium- to long-term due to the ongoing and structural maturation of the migration cycle.

On the other hand, the large pool of “retained savings” currently accumulating abroad may provide an opportunity for the government of BiH to better capture the development potential of current and future migration. Working with the migrant, the private sector (and perhaps, social organizations) to attract the transfer and intermediation of at least a portion of these savings might increase remittance values within a structurally negative environment. More importantly, successful efforts in this area would increase the quality of these remittances by increasing the savings/investment component.

As noted, any approach in this direction clearly requires taking into account those migration-related and BiH-related “return environment” trends that influence the subjects/decision-makers, that is, the migrants themselves. This is the subject of the following section.

BiH migrants are the first group studied so far in the Balkan region where a large number of persons consider “securing their pension” as their most important savings objective to be reached during their period of migration. Studies in Albania, Kosovo/UNSC 1244 and the Republic of Moldova indicate issues such as “education of children”, “investment for business” and “purchase of home” as predominant.

As expected, the majority of Bosnian migrant/savers are regularly saving their money in their destination countries, where they are “highly banked”. On the other hand, Bosnian migrants, in general, are significantly less optimistic about reaching their savings objective than other migrant groups.

Less than one fifth of Bosnian migrants in EU countries keep even a portion of their savings in BiH. Most migrants simply keep their BiH-based savings in cash at home, with very few availing themselves of either savings or current accounts.

The relative unattractiveness of formal banking/savings options in BiH is comparable by noting that the banking/savings behaviours of Bosnian migrant HHs in BiH differ completely from their savings behaviours abroad.

This “cash preference” is again reflected in the very high prevalence for hand-carry of remittances. On average, only 22.5 per cent of the actual value of financial transfers was carried out through formal channels (i.e. bank or MTO) in 2009. Moreover, informal channels remain the preferred means of money transfer for the vast majority of Bosnian migrants.

Reported values for specifically remitting to “invest in a business” or “accumulate savings” in BiH are also markedly lower than similar values found in the Republic of Moldova, Kosovo/UNSC 1244 and Albania. Still, 31 per cent of remittances sent from EU countries in 2009 were thought by the remitters to be saved or invested. Corollary to this, the percentage of annual remittances from Bosnian migrants in EU countries sent for consumption is about 69 per cent. The percentage for migrants in FYU countries is 75 per cent.

The current financial crisis and economic downturn have clearly influenced remittance behaviours, and clear majorities in the EU and FYU groups reported having sent less in 2009. While remaining more or less stable, there is little chance of a significant recovery in remittance values in 2010 with half of the respondents in EU countries expecting to send the same amount of remittances in 2010 as in 2009.

Return profile

As can be expected from the migration profile provided above, the average “forecast period”⁴⁸ of migration for BiH migrants (31 years) is considerably longer when compared to other countries studied. Again, the eventual decision to return is dependent on many interrelated factors, primarily involving achievement of the migration objective, as well as issues related to the socio-economic and regulatory (i.e. return and reintegration) environment in BiH.

This comparatively longer period of expected migration confirms the maturity of the BiH migration cycle (family composition, children in school, integration, etc.). It seems that about half of all migrants wish to return to BiH as pensioners, and not necessarily to earn a living back home.

⁴⁸ Forecast period is the total number of years, including past experience and future expectation of the interviewed migrant.

Nonetheless, the number of migrant HHs with a definite intention of returning is in line with regional averages (EU, about 55%; FYU, 48%; and other, 39%). An ongoing connection to BiH and possible return intention can be confirmed by examining quantitative factors including: frequent trips home, high levels of regular communication, maintenance of property in BiH, interest in saving/investing in BiH and maintaining a banking relation in BiH.

For four out of five BiH migrants, reaching a savings objective remains the primary condition to be met before voluntary return is considered. Unlike other countries studied, for just over half of Bosnian migrants with a return intention, securing their pension plan is their “primary goal”, while reaching “other savings objectives” is the second most important personal goal prior to return.

On the other hand, environmental issues in BiH continue to play a significant role with noteworthy numbers of respondents considering returning if they could secure gainful employment, or they were confident in starting their own business in BiH.

The majority of migrants willing to return to BiH intend to return to their village or town of origin. This trend is different from other countries in the region, where a general urbanization process can be observed (for example, Albania, where 25 per cent of migrants do not plan to return to their places of origin, rather preferring urban centres). This phenomenon may confirm the wish to return as a retirement option.

Investment profile⁴⁹

Overall, BiH migrants can be considered quite entrepreneurial, with a considerable number (32%) having or intending to invest in their destination country. Compared to this a relative few (6%) have invested in BiH to date. Of note is that this level of past investment in the country of origin is significantly lower than that in other countries studied. This finding confirms the maturity of the BiH migration cycle, and reflects both the high level of integration and the long-term migration intention. It would also seem to confirm the unattractive investment environment in BiH.

On the other hand and looking forward, a substantial 26 per cent of all Bosnian HHs (35% of all interested in returning to BiH) are planning to initiate or expand an investment in a business enterprise in BiH in the future. While notable when compared to the BiH population as a whole, the overall level of

⁴⁹ For analytical purposes, the respondents to the migrant survey were divided into two groups: migrants who were planning to invest in a business enterprise, including in the real estate sector, and those who did not have plans to do so. In general, the profiles of both groups were very similar.

investment interest amongst migrants for their country of origin is a little bit more than half of the investment interest found in relation to migrants from Albania, Kosovo/UNSC 1244 or the Republic of Moldova. Moreover, the investment intentions of BiH migrants in FYU countries is somewhat lower than the equivalent interest of migrants of the other groups, perhaps as a function of their lower income levels.

The investment intentions of Bosnian migrants are very similar across socio-economic factors, including income, education and sector of employment, among others. The interest to invest in BiH is slightly higher for migrants who are employed as workers (skilled and unskilled). This relates positively with their relative high return intention (two thirds of this group expect to return to BiH).

The vast majority of Bosnian migrants interviewed agree that the skills and experience they have obtained during their migration influenced their investment interest. On the other hand, the number of years already spent as migrants only influences the level of investment interest by a marginal extent, as does the destination country selected. When comparing the marital status of respondents with investment interest, the intentions are very similar; yet, female respondents indicate a lower overall interest in investment in BiH.

Reflecting their closer ties to BiH, migrants planning to invest in BiH remitted more than twice the amount of those migrants who do not have such intentions (in 2009). As a corollary, nearly one half (47%) of migrants who do not plan to make business investments in BiH also did not remit in 2009.

Migrants who have invested in a business in BiH previously are more likely to do so in the future.

This would seem to indicate that migrants from BiH basically took their decisions early to either return (or perhaps invest) or effectively emigrate (and not invest, remit, etc.).

As noted previously, reaching their personal savings objective strongly relates to the return intentions of BiH migrants; securing their pension/retirement plan is the main condition for migrants before considering return to BiH. There is no substantial difference between potential investors and non-investors in this regard.

Similarly, the actual target level of savings between migrants with investment intentions and those without are consistent – at about EUR 95,000. This “savings target” is considerably lower than the savings target for Albanian and Kosovo/UNSC 1244 migrant HHs, and closer to the objective of Moldovan migrant HHs. Interestingly, migrants who are planning some business investment

in BiH in the future are less optimistic in reaching their savings objectives than migrants without such intentions.

Microlevel and SME-level investment in the following sectors remain favoured: retail trade (including shops, bars and cafes), real estate, manufacturing, agriculture and tourism. The sector of investment interest is influenced by destination country, with those in the FYU slightly more interested in manufacturing, agriculture and tourism, while EU-based migrant HHs slightly prefer retail trade and real-estate.

Reflecting their sectoral and small-scale investment ambitions, Bosnian migrants prefer to invest mainly individually, or in partnership with family members. However, the percentage of migrants who are planning to invest in partnership with friends is higher than that in some other countries in the region. This may indicate a relatively high social cohesion in BiH.

Contrary to other studies that show a certain urbanization process amongst potential migrant-investors, the vast majority of BiH migrants with an investment interest plan to do so in their places of origin in BiH. This intention confirms the overall return ambition, where the data show that the vast majority of migrants with a return intention intend to move back to their village or town of origin.

For potential investors, accessing suitable credit will remain an important issue with large numbers planning to supplement their investment through one or more other means, such as bank loans. Microcredit providers are more interesting for migrants residing in FYU countries.

In general the borrowing ambition reflects the investment intentions and short-term ambitions, that is, primarily trade credit. This may also reflect the constraints of the current availability of credit in the marketplace with very few long-term loans being issued at the present time.

It can be concluded that a distinct connection exists between return intentions, investment interest and remittance behaviour. This confirms the hypothesis that many migrants from BiH could be considered permanent emigrants. Another group maintains an intention and related behaviours of eventually returning; but this return is predicated on securing their pension plan/retirement.

As expected, BiH migrant HHs are predominantly savers, nonetheless almost one third have invested in their destination countries or are planning to invest in BiH, largely to support their family economy to some extent

(with small trade, etc.) if they fail to fully reach their main savings objective (i.e. securing their pension plan).

In other words, BiH migrants are planning to invest in a business to supplement their otherwise insufficient pension plan.

The role of social capital

Social capital has played an important role in every phase of the BiH migration experience/cycle. As with other countries studied, the mutual assistance extended through these social networks plays a crucial role in assisting BiH migrants to manage migration-related risks, lower associated financial costs and maximize their gains.

The influence of the supporting network can be evidenced from pre-departure planning, the process of migrating itself and during the extended period of migration. More than four fifths of Bosnian migrants migrated to countries where they had a supporting network of family members, relatives or friends and an equal number reported relying on this network to assist with key aspects of the migration process – including securing employment (65%) and housing.⁵⁰

As a result, substantial numbers of Bosnian migrants to both FYU and EU countries had secured employment prior to departure.

The social network is reinforced by proximity in places of residence, with the vast majority (up to 90%) of migrants residing near other migrants from their place of origin (town, village, etc.), and proximity in the work place, with an average of 70 per cent of migrants working with other migrants from their places of origin.

⁵⁰ There is a clear trend that Bosnian migrants who are residing in FYU countries rely more on their networks to assist them during the initial migration period than migrants residing in the EU/Europe.

In addition to the high level of social capital experienced between migrants in the countries of migration, Bosnian HHs maintain strong relations with their families, friends and neighbours in Bosnia. This is evidenced most clearly by regular home visits. Up to three fourths of Bosnian migrants in other countries of the former Yugoslavia visit BiH three or more times per year, mostly around Easter and Christmas and during the summer. Bosnian migrants in EU/European countries visit BiH slightly less frequently, but also traditionally at these times. Bosnian migrants in the United States, Canada and Australia return to BiH significantly less frequently (61% indicate once or less per year), and nearly exclusively in the summer (July).

Bosnian migrants seem to be rich in horizontal social capital but poor in structural social capital, which refers to organizations and formal networks that facilitate joint actions. Though migrant and diaspora associations exist, their role and importance to the migrant communities in the EU and the FYU seem to be extremely limited. Empirical data show that less than 1 per cent of migrants are currently members of any diaspora organization.

General conclusions

BiH migration is characterized by a high level of integration on the part of BiH migrants and a relatively mature migration cycle, when compared to similar countries of origin within the region. The migration process from BiH is broad-based, involving men and women equally. Migrants are typically from relatively wealthier HHs and they enjoy a certain amount of social capital which is crucial in managing the migration process, including the maximization of gain and minimization of risk. They have usually completed their secondary education, and many have higher education. They are driven (and to some degree “kept”) abroad largely in order to alleviate poverty, unemployment, low pay and the poor quality of life at home.

One large portion of long-term BiH migrants could in effect be considered “emigrants”, insofar as their return intention is either weak or non-existent. Another large group is very long-term migrants with an intention to return, but in the distant future. A third important group of migrants may choose to return home for good, either when they meet their migration goals or they prefer the prospects of life at home. Some may have specifically migrated in order to raise capital to start their own businesses. Others may have retained some savings and obtained new skills that enable them to commence self-employment. On the other hand, it is likely that the majority of non-retiree returnees will seek employment opportunities in the local BiH economy. If these processes are unsuccessful, they will wish to emigrate again at a later date.

The current needs of the three loosely-defined migrant groups are to maintain contact with those at home and send money home safely and cheaply. The needs

of the last two groups can be expanded to include: a) the option of utilizing their retained savings in BiH, and b) to return home to retire, take up employment or invest.

BiH migrants still retain close connections to their places of origin. Some may be interested in investing a part of their retained savings in viable opportunities in BiH, particularly if they provide a return on their investment which is greater than what they could earn elsewhere and compensates for perceived risk. Indeed, many may have migrated with this particular objective in mind.

As put forward in the introduction to this paper, the previous discussion would seem to confirm that within the BiH context, as in others studied, it is possible to identify complementary areas between the needs of the BiH economy and the potential resources inherent in BiH migrants and migration-related financial flows.

The preceding research also indicates opportunities for the mobilization of financial resources gained through BiH migration. These can be summarized as follows:

- While successful and largely integrated in their destination countries, most BiH long-term migrants retain a strong attachment to their country of origin, and a large number express an interest in returning and investing once they accrue sufficient capital (whether they will actually do so is another question and depends on a number of personal and environmental factors and incentives).
- Migrants' savings – whether retained in the host country or accumulated in the place of origin as a component of remittances – represent two substantial pools of funds that, given appropriate incentives, safeguards and regulatory framework, might be encouraged towards formal savings and investment opportunities in BiH.
- The pool of savings and interest in local investment can be predicted to increase over the medium- to long-term.
- As the BiH migration cycle continues to mature, remittances sent for consumption purposes will decrease.
- A larger portion of income gained through migration will shift towards savings and investment – either as retained savings or investments in the host country, or as migrants' transfers.
- This expanding pool of savings will occur in a macroeconomic and business environment within BiH that will continue to improve, allowing more opportunities for viable savings and investment vehicles to develop.

The development challenge is to meet the demand for financing large-scale job creation (for those not interested in self-employment, entrepreneurship or income-generating activities), by recognizing and capitalizing on migrants' savings and investment aspirations. This mutually advantageous relationship can be facilitated by providing the migrants as well as other investors with investment and savings opportunities tailored to their needs (and which are of direct relevance to migrants, their beneficiaries and their communities).⁵¹ This approach would need to be complementary with public and private actors currently involved in SME development and credit provision.

In large part, evidence from our surveys complements the existing literature insofar as recipients are using "current remittances" primarily to increase their HH consumption rather than to save or invest in businesses or other productive assets.

On the other hand, our results also point to a propensity to save at both migrant HH and beneficiary HH levels. In addition, and unlike the general population of BiH, the vast majority of long-term migrants have experience with the banking systems of their respective host countries and entrust their savings to those intermediation agencies. The data presented also indicates a substantial medium- to long-term return potentiality of long-term BiH migrants, bringing with them the substantial human and social capital they have accumulated in their places of migration.

It is in this context that measures facilitating and stimulating the use of migration-related financial flows in productive investments should be examined. As noted in the introduction to Chapter V, any such intervention should be based on two crucial environmental preconditions:

- Firstly, continued pursuit of sound macroeconomic policies and a political, inter-ethnic process that foster stability, growth and development in BiH are self-evident and necessary preconditions to increasing the flow of migrant transfers and channelling them towards productive uses (i.e. formal savings and productive investments). In this context, first and foremost, the promotion of economic, financial and political/inter-ethnic stability is necessary.
- Secondly, and building on the first precondition, a framework of policies and measures that directly address the concerns of migrants and convince them, as well as their HHs in BiH, that they would benefit by transferring, and perhaps investing, a greater portion of their financial resources into savings products or productive investments in BiH.

⁵¹ As noted repeatedly, improvement in the political and business environment is a precondition to any intervention aimed at maximizing the savings and investment impact of remittances. In BiH, priority might also be placed on more effectively enforcing the policies and regulations already in place.

Clearly, initiatives in this area would further need to be based on the clear recognition that remittances, migrant transfers and investments are private transfers and that the savings involved belong to the migrants and their families, whose primacy of choice in their allocation is paramount.

This study was carried out almost parallel to studies in selected countries of SEE. By closely examining the possible means of promoting the positive aspects of migration, particularly its relation to the nexus between development and migration-related financial flows, this study intended to go well beyond the remittance discussion. But, as experience and evidence shows, even current remittances flows and uses – when related to questions of migration and development – are inextricably linked to a number of additional factors and policy areas, including migration management, macroeconomic and microeconomic environments, government priorities, capacities and policies, financial intermediation and microfinance, and private migrant savings and investment behaviours, among others.

While recognizing that the combination of national market factors and migration histories/trends is unique to BiH, and that there are profound differences between BiH migration factors and those of other countries within each region, in some regards this research paper arrives at similar conclusions and recommendations as those put forward in parallel studies. Key amongst these are the following:

- Remittances are just one, though important, factor in a complex cluster of issues that directly impact migration and development. This complex of factors will continue to profoundly shape the migration and development context between BiH and destination countries for decades to come.
- There is a general absence of coherent policies toward migration and development, with migrants/diasporas largely ignored as potential agents of economic development in the public sphere, and a lack of strategy in product and service development (and marketing activities) within the broad financial sector.
- Despite the enormous potential impact, both positive and negative, of these phenomena on BiH (as well as other SEE countries), there is surprisingly little reliable information on related topics, and not nearly enough research being undertaken to maximize the potential of remittances and migration, or address this potential opportunity.
- As with the previous IASCI/IOM study on BiH,⁵² these findings confirm that stakeholders in BiH recognize the necessity of maximizing the positive impact

⁵² IASCI/IOM (2009) *Maximizing the Development Impact of Migration-Related Financial Flows and Investment from Austria to Bosnia and Herzegovina*.

of migration and minimizing its negative aspects, yet there is no operational national programme to manage migration or leverage diaspora resources in service of sustainable development. Greater institutional coherence could be achieved by adopting policy frameworks, designing governmental coordination mechanisms and enhancing analytical capacity. Recommended areas of intervention include supporting the formulation of policies and strengthening of state institutions responsible for migration and development. The collection of accurate statistical data and information on remittances, migration and the diaspora is an essential component in enhancing analytical capacity and supporting both public policies and private-sector market interventions.

- A history of collapsed banking sectors and lost savings, together with an environment of growing post-Dayton political gridlock, has left home communities and migrants/diaspora profoundly distrustful of the financial sector and of government oversight.
- Efforts to increase the development impact of migration-related financial flows need to directly address this underlying lack of trust, as well as the related structural weaknesses of the financial system. Benefit is seen in supporting national discussions and commissions on migration, resulting financial flows and development that would focus policymaking, coordinate initiatives and facilitate a serious public debate about migration.
- The main reason for the extensive use of informal transfer (and on some level, savings) channels is not due to a lack of quick/cheap formal transfer possibilities. Migrants have more personal reasons for hand-carrying their remittances, including the previous savings losses and mistrust touched upon above. Other factors are geographical proximity to many of the key remittance-sending countries and the fact that carrying money home personally provides a form of “additional social capital” not available through impersonal channels. In general, there is little potential for a quick change in informal remittance behaviours.
- As a result, recommendations go beyond remittances in addressing those factors that can help leverage migrant/diaspora resources, in a broad sense, in support of maximizing the potential development impact of migration.
- Early emphases could be placed on matching fund schemes to promote the collective pooling of diaspora resources for community/infrastructure projects at the local level. The research confirms that migrant/diaspora communities are interested in promoting the welfare of their home villages. In this regard, recommendations focus on supporting individual projects, rather than launching any large-scale funds.

-
- Previous and parallel studies confirm that migrants are “tired of simply giving money away”, with many having supported dependents and their home country financially for years or even decades. A shift towards actively facilitating saving/ investment in the homeland private sector is seen as more durable and realistic because it allows migrants to support the home country and also benefit by capturing a return on their investment, rather than providing pure donations. Related to this, it is recognized that in many cases migrant entrepreneurs or investors are more likely to assume the additional risks inherent in their home country’s private sector than other investors.
 - This study confirms the earlier IASCI/IOM study insofar as there is a major constraint and discrepancy in the stated intentions of migrants. In general, the following direct investment channels present themselves to migrants: in a start-up, in an existing enterprise, or in a business being privatized. These tend to be risky and unappealing to migrants as they may be unwilling to return to manage their investments at the present time, or in the medium-term. This dilemma is a serious disincentive to investing. Emphasis should therefore be placed on supporting and developing capital market financial products, such as equity and debt funds or bonds that allow migrants to invest indirectly – with products and services that especially target those potential diaspora investors who live abroad and intend to stay there for the foreseeable future.
 - The possibility of profit could appeal to this category of migrant. Such instruments might include certificates of deposit, equity and debt funds, bonds, or the securitization of remittances, issued by a trusted intermediary in order to raise debt capital, finance development projects (e.g. for infrastructure projects) and create jobs.
 - As a corollary, greater loan sizes, leveraged through a link to regular contractual savings through the introduction of innovative remittances-based savings and loan products, could represent a potentially important initiative. This would also benefit the financial systems by increasing a predictable stream of deposits.
 - Microfinance institutions are seen as having important outreach, especially in rural areas, and are thus closest to most remittances recipients. But they need technical assistance and capacity-building in order to successfully offer savings/ investment products of relevance to migrants.

In summary, the development impact of migration would benefit greatly from strengthened financial systems, as well as the availability of more diverse, reliable products and services for migrants, remittances recipients and the general population. It is recommended that the Government of BiH engage in projects with

commercial financial institutions to extend their products and services, including developing specific departments, capacities and vehicles, together with targeted marketing strategies, to raise awareness of their products within the diaspora and provide better-tailored services to its members.

Key recommendations

Areas of intervention

In summary, and under the overall objective of providing the means for BiH migrants and their beneficiaries to shift their remittances and savings from their destination country to BiH, and from informal to formal channels, our proposed areas of intervention can be grouped under the following guidelines:

- Provide for more research and data development on migration-related financial flows and the understanding of migrants as a specific market segment, with a particular focus on: a) supporting their priority savings objectives, and b) attracting migrant transfers within the context and potential provided by the evolving return process.
- Support the broadening and deepening of the BiH financial intermediation market in relation to migrants as a specific market-segment by encouraging the development of a relevant policy and regulatory framework, as well as targeted awareness amongst key decision makers in both private and public sectors.
- Support the personal objectives of migrants through the provision of relevant remittance, savings and investment products, as well as related services and interventions. Products and services of relevance to migrants could cover the entire migration cycle ranging from pre-departure, migration and return, or certain aspects of it. By way of example, these might include: pre-departure financial education and language training; credit lines; short-, medium- and long-term savings products (term deposits, bonds, etc.); investment vehicles (pensions, trust funds, mutual funds, social investment funds, etc.); business plan development and related services; and financial packages for the establishment and ongoing support of businesses, among others.
- Develop complementarities between public and private actors involved in financial regulation, the economic development of marginal regions of BiH, SME development, credit provision, and migration management. The objective should be to directly, and in a practical manner, broaden and deepen financial intermediation and thereby attract remittances and retained savings towards financial intermediation and productive investments.

For a more detailed explanation of these recommended areas of intervention, please refer to Annex II.

Maximizing the efficiency and impact of BiH migrant/diaspora contributions, including human, social and financial capital, can mitigate the effect of a reduction in volume of remittances in the short term and support key governmental priorities such as sustainable development and effective migration management processes (such as return, integration and brain gain) in the longer term.

A systemic downward trend in remittances to BiH, now hastened by the ongoing global crisis,⁵³ makes steps such as those proposed in the document more challenging and more important. Nonetheless, experiences gained make it increasingly apparent that the BiH government needs to assume its coordinating role, as well as take ownership of the technical capacity capable of supporting it. A domestic capacity, supported by the relevant specialized agencies, should be capable of increasing the development impact of migrant/diaspora contributions by: identifying and filling significant informational gaps; ensuring that future initiatives in both public and private spheres are complementary and sufficiently coordinated at the inter-ministerial, inter-entity and inter-agency levels; and initiating priority initiatives and suitable pilot projects that take into account the interests of relevant public and private stakeholders, not least the migrants themselves.

BiH migrants and diaspora members have the potential to support their home country in other ways, and additional measures should be explored. For example, a role for the diaspora in BiH's process of integration into the EU in elevating the national image abroad through cultural, intellectual and sports activities and in contributing to research and technological development can be envisaged.

BiH migrants and diaspora also make substantial contributions to the country's tourism sector. Furthermore, more efforts can be undertaken to harness the potential benefits of the return of qualified nationals, with previous IOM/IASCI research showing that "brain drain" remains a significant problem in BiH.

Globally, there are dozens of alternative approaches to engaging migrants/diasporas more effectively in home country development and mitigating the negative consequences of migration processes. Without attempting to describe all of them, or pre-determine which might be most suitable to the BiH situation, an illustrative list is provided here:

- Some countries have established specific incentives to attract their diaspora: Portugal, for example, offered tax exemptions for purchases of real estate,

⁵³ Remittances to Albania are expected to fall by 5 per cent to 8 per cent in 2009 as a result of the global crisis.

while Israel and India issued special government bonds. Tax exemptions have been used to facilitate return (e.g. taxes on vehicles) or investment (e.g. taxes on investment goods).

- Certain measures can be taken by governments and financial service providers to enhance the development impact of remittances: for example, institutions can accept remittances as a regular income stream to serve as collateral to support loans taken out by remittance-receiving families.
- It is also possible to work with recipients to improve their utilization of savings and remittances: for example, IASCI and IOM work with banks in Albania, Kosovo/UNSC 1244 and the Republic of Moldova to promote the advantages of home-based savings and investment options.
- To leverage the human capital of diasporas, countries have launched programmes to promote the temporary, permanent or virtual return of qualified nationals, while assisting diaspora organizations to create professional networks, especially for professionals working in the areas of education and health.
- “Hometown Associations” or diaspora groups originating from one town or region, which act together to maintain ties with and materially support that town or region, have made important contributions at the local level.
- There have been successful funds-matching projects to promote social investment, such as the Mexico “three-for-one” programme in which migrant funds for development projects are matched by federal, state and municipal grants. In South-Eastern Europe, the government and national bank of Montenegro created a Diaspora Fund which matches diaspora investments for selected initiatives to promote return of qualified nationals and investment.
- Business clubs or networks can attract investors from host countries to invest in home countries (e.g. Indian diaspora have established the successful Indus Entrepreneur business network).

There are several prerequisites to establishing successful collaboration between BiH and its substantial migrant population – the most important of which is an environment of mutual trust. As noted repeatedly, the data shows that amongst the migrant/diaspora population a significant number of BiH savers and entrepreneurs could make large investments in BiH-based businesses, but that many distrust the business environment in BiH as well as state and entity institutions. Like any other investor, migrants require good investment projects and effective administration procedures.

Ensuring the effective participation and dissemination of information among migrants and their families on available investment opportunities and incentives offered is therefore a necessary condition for the successful mobilization of migrant resources. Through the MHRR, the Government of BiH should be able to systematically communicate to the diaspora and other key stakeholders the nature of interest of the government in engaging constructively with the migrant population. As proposed above, the MHRR should provide a continuous technical capacity by which the government can engage in personal and virtual consultations with diaspora associations, migrants and other stakeholders willing to participate in issues and initiatives under development. The views expressed should be gathered by the MHRR and presented at relevant fora and deliberations, thereby affording the diaspora at large a kind of virtual consultative and participatory role.

In view of the new approaches and research findings put forward in previous research, the Office of the Co-ordinator of the Organization for Security and Co-operation in Europe (OSCE) Economic and Environmental Activities and the IOM Mission to Vienna jointly organized a regional conference in December 2009.⁵⁴ The conference was held to present and discuss the role of various stakeholders in facilitating reinvestment of migrant savings and economic reintegration in countries of origin as one means for strengthening the contribution of migration to sustainable development. It included formal presentations and round-table discussions, as well as informal working groups, which led to the formulation of a list of conclusions. The working groups were divided into four categories:

- (1) Government role – mainstreaming migration into national development strategies in countries of origin and countries of destination.
- (2) The role of central banks – facilitating reinvestment of diaspora communities.
- (3) Commercial bank products in countries of origin for non-resident nationals – specifically targeted at migrants.
- (4) Migrant associations – outreach and communication with diaspora on countries of origin; investment benefits and the role of international organizations in supporting economic revitalization and employment generation through diaspora engagement and return of qualified nationals with investment capacity.⁵⁵

⁵⁴ Entitled Migrant Investment, Return and Economic Reintegration for Development in the South East European and Central Asia Regions.

⁵⁵ The fourth category includes the conclusions from working groups (4) and (5).

Representatives of governments, commercial and central banks, migrant associations and international organizations exchanged opinions reflecting a wide range of experiences and operational viewpoints. The recommendations put forward reflected the ideas that have worked for some, and participants were invited to adapt and apply them as deemed relevant. Guided by the findings and analysis put forward in this document, selected recommendations, specific to the BiH experience, are put forward here:

Focusing on the potential inherent in migrants' savings for development is a new approach and hence a topic that requires further study. Identification of best practices and further targeted research on specific migrant communities is required in order to analyse migrant saving patterns, in particular, gathering evidence concerning migrants' perceptions of investments and savings. This type of research could be undertaken by research institutions, including international organizations with specific migration expertise alongside consulting companies. These findings could be presented to private-sector financial institutions, governments and international financial institutions for further action. Related to this, the central bank should encourage further research by institutes and agencies. It should be recognized that the combination of national market factors and migration histories/trends is unique to each country, and that there are profound differences between BiH migration factors and those of other countries within each region.

Establishing dialogue and partnership between BiH and primary countries of destination and mainstreaming migration into both the national development strategies of BiH together with official development assistance strategies of destination countries, which are essential in furthering the concept of migrants' savings for investment and development and one way of doing so is through bilateral and multilateral labour agreements. Such agreements could include information on savings and investment opportunities, reintegration services and programmes, possible collaboration on financial transfers, transfers of pensions and other social security-based savings accumulated by the migrant during the period of migration.

Drivers of development should be first directed by the private sector, while governments would play a more catalytic, coordinating and regulatory role, and international organizations with migration expertise would lend their support. Promoting and developing dialogue and cooperation among migrants, financial institutions and governments remains crucial. It would also require an expanded dialogue with migrants/diaspora in the planning of such projects and activities to better understand their needs and concerns. It would also be important to develop programmes that would provide migrants/diaspora with information and financial literacy training on different savings opportunities and investment products in BiH, as IOM has already undertaken in various countries, including the Philippines.

Moreover, to build trust in the structures and systems of BiH, destination countries could develop programmes that offer migrants matching funding for investment projects in the country of origin.

BiH and its partner countries of destination could expand their policies by including the concept of migrants' savings for development. This would require the development of a legal framework to permit financial institutions and local governments to invest in development projects in BiH.

Financial institutions play an important role in supporting economic development. Therefore, the governments should seek to work with them to develop more attractive investment products for migrants/diaspora, such as pensions, development savings accounts, guarantee funds or general diaspora funds.

An attractive business and investment climate in BiH is also important for migrants/diaspora in order for them to save and invest there. Therefore, the BiH governments need to consider how they can build a stable, transparent, predictable and well-governed economic and political environment. This may also include taking a closer look at banking regulations to determine if they hinder easy money transfers and savings/investment options for migrants/diaspora. Certain tax incentives/benefits and loan subsidies for investments into business and development-type projects may also help in attracting money back.

Assistance should be provided for migrants to enable them to engage in improved and effective migration behaviours and to utilize banking products and financial services. BiH could consider providing departing as well as returning migrants and their family members with migration-related financial literacy training and information on different savings and investment products available in the country. Also, better marketing of investment and saving opportunities in BiH will help migrants/diaspora know what is available.

Commercial banks can improve the amount of money going back to BiH through new customer acquisition and awareness-raising. Opportunities offered by maintaining accounts with the same bank or corresponding banks in different countries should be further explored within the migrants savings segment, based on a better understanding of the demand for such cross-border financial services. One example of such cross-border initiatives would be building and transferring credit histories. "Knowing your client" should be a precondition where relevant products and services need to be extended to migrants from pre-departure and throughout the migration cycle, which also includes reintegration. Commercial banks should identify segment specificities and understand the customer base, including the need for financial literacy training, as well as targeting current and future migrants to understand their requirements and needs.

National investment funds appealing to migrants' self-interest, managed by commercial banks and guaranteed by governments, possibly in co-operation with international financial institutions, could be used to channel savings to BiH. They could be earmarked for infrastructure projects and social services, among others. Such joint trust funds would address the lack of trust in BiH on the part of migrants and provide some level of guarantees against default. In this way it would provide for a safer environmental vehicle in the context of a small and undeveloped financial market.

For a more detailed explanation of these and related recommendations, please refer to Annex I.

For a copy of the complete Conference Report, please visit www.iom.int or www.iasci.info.

Annex I: OeEB study: Household survey: Key findings, conclusions and recommendations

This Annex is adapted from the IASCI/IOM study entitled Maximising the Development Impact of Migration-related Financial Flows and Investment from Austria to Bosnia and Herzegovina (2009), carried out on behalf of the OeEB.

Research was carried out in BiH and Austria on behalf of the OeEB in order to test the validity of the migrant savings/investment model in support of maximizing the development impact of financial flows between these two countries. The practical objective was to possibly identify and propose areas of intervention, and a set of specific project proposals, which the OeEB can consider when supporting BiH, particularly its financial intermediation sector, when introducing relevant, balanced and durable migration development initiatives.

The first section lists the key findings, while the following two sections put forward some conclusions as well as recommended areas of intervention.

Key findings

BiH remittance corridor

- The Austria–BiH migration corridor seems to represent a much lower source of financial transfers to BiH (6.1% of all transfers) than the total number of BiH migrants at the global level (18.2%) would seem to indicate.
- In line with expectations, a strong connection exists between the year of migration and the propensity to send money to BiH.

BiH migrants in austria - propensity to save

- Interviews with BiH migrants residing in Austria indicate a propensity to save amongst BiH HHs in Austria (about 15.3% of net disposable income). This is relatively low, when compared to similar research recently carried out by IASCI with Kosovar and Albanian migrants, which suggested that the propensity to save was nearer to 35 per cent.
- This is also reflected in the remarkably lower savings to remittance factors (estimated at 2.4), when compared to the markets of the previous IASCI research mentioned above (i.e. between 5.1 and 5.5).

- These relatively low HH remittance and savings values can be the result of a combination of migration-related factors, including the migration history between Austria and BiH, evidenced by, inter alia, the large number of BiH-born persons with Austrian citizenship, the high rate of family reunification in Austria, as well as the greater integration and lower return intentions of this population when compared to the Kosovar and Albanian experience. Alternately, it could be a function of the relatively low income level of BiH migrant HHs in Austria when compared to other countries of migration.

Note: These findings are very preliminary and need to be better understood by carrying out more in-depth, larger-scale (i.e. more representative and linear) research amongst the broader BiH migrant population.

Migration experience

- Most migrants left BiH in order to secure gainful employment (33%) or to improve their living standards (17%). Only 14 per cent of migrants are considered by their families in BiH to have left due to the war in BiH and the risk of persecution.
- Fourteen per cent of migrants were residing abroad before 1990, while 86 per cent of the target migrants left BiH after 1991, including the majority (54% of the total migrant population) that left BiH after 2001.
- HHs in BiH expect that their migrant relatives working in the field of construction and domestic help have a higher return potential than migrants who are working in other occupational sectors. While 44 per cent of construction workers are expected to return to BiH, HHs in BiH expect only 18 per cent of migrants working in the services sector or tourism to return.
- Contrary to literature, the survey found out that the majority of HH respondents (78%) were not considering migrating at that time.

Financial issues

- A total of 20.1 per cent of HHs with persons in migration do not receive financial transfers from abroad. This is consistent with previous research carried out by IASCI in the region. This could be another indicator of the maturity of the migration process – most probably leading to the continuing structural decrease in such transfers in the long-term.
- Of those HHs receiving financial transfers in 2008, the average amount was KM 4,530 per year (average: KM 378 per month; the average amount per transfer was KM 677⁵⁶).
- Bosnian HHs with migrants abroad receive an average of 6.4 transfers per year.
- The preferred way of receiving these transfers is through the migrant or fellow

⁵⁶ Official exchange rate dd. Monday, 31 August, 2009: EUR 1 = KM 1.95496; KM 1 = EUR 0.51152 EUR. The Bosnian convertible mark is locally abbreviated as KM (Latin) or KM (Cyrillic). The ISO 4217 code for the currency is BAM.

migrants hand-carrying the savings themselves (65%). As the second most preferred means of transfer, 141 HHs listed Western Union (18%). Bank transfer ranked only at third place (16%).

- The majority of respondents report having received the same level of transfers in 2008 when compared to previous years (57%). Furthermore, 34.3 per cent reported that less money was transferred, while only 8 per cent reported receiving more.
- Importantly, 41 per cent of HH respondents expect to receive less money from abroad in 2009. This would seem to confirm a clear downward trend in migration-related financial flows from Austria to BiH.
- HHs that do not receive remittances from their members in migration have the same budgetary allocation behaviour as the control group (i.e. HHs without persons in migration).
- The average level of budgetary allocation of HHs with migrants and receiving financial transfers from abroad in 2008 was higher (13%) than that for HHs with no access to such income sources (i.e. average HH income at KM 1,000 per month, rather than KM 867).

BiH households – propensity to save

- In line with literature on this subject, the findings confirm that there is a low propensity to save amongst the general BiH population. That said, BiH HHs with access to regular transfers save twice as much of their net disposable income (i.e. 6%) than those HHs with no access to transfers.
- It is possible to estimate that 16.7 per cent or nearly EUR 14 million of transfer values to BiH was saved by the receiving BiH HHs in 2008. Much of this capital was transferred and saved in cash.
- The average savings rate of HHs in BiH that have remittance-sending migrants in Austria (69,836 HHs), and based on a propensity to save between 6 per cent (low self-estimate) and 19.4 per cent (all savings-inclusive), is between EUR 25 million and EUR 83 million per year.
- If those budgetary allocations that are not required for the economic survival of the HH are considered together (i.e. savings, investment, farm expenses and repayment of debts), they constitute a considerable portion 19.5 per cent of the budgetary allocation of those HHs that regularly receive transfers from abroad, compared to 16 per cent for those HHs that receive no financial transfers from abroad.
- While the number of savers is small, an indication of savings objectives is as follows: ability to respond to emergencies and to mitigate the risk associated with migration (27.6%); secure a pension/retirement (23%); education of children (12.7%); and finally, the procurement of durable goods (12%).

Clustering and communication

- In line with expectations, BiH migrants tend to cluster in their places of migration. For instance migrants from Una Sana Canton (Bihac) are clustering in the Austrian town of Wels. In addition, 63 per cent of BiH migrants in Linz originate from Banja Luka. In Vienna, 13 of 55 respondents (24% of migrants) originated from Zivinice municipality, and 18 per cent from Bihac.
- Bosnian migrants have relatively traditional communication behaviours, compared with other countries studied. The preferred means of communication between migrants and their families in BiH is the telephone; the majority of migrants from BiH never use the Internet (79%) or text messaging or SMS (64%) to communicate. Given this finding, these may not be efficient marketing channels, and mobile/Internet banking may not be an attractive potential market segment at this time.
- The majority of migrants from BiH (58%) visit their home country 1–2 times per year, while 13 per cent never visit BiH. The preferred months for visiting BiH are July and August (35.8% of all visits) and December (16%).
- Eighty-seven per cent of BiH HHs with migrants believe that migrants regularly communicate with each other in their places of migration. Seventy-five per cent of respondents believe that their family members in migration have regular access to television from BiH.

Conclusions

The people and economy of BiH will continue to be characterized by international and internal migration as well as migration-related financial flows for the foreseeable future. Migration will continue as the agricultural sector consolidates and restructures, shedding surplus in labour, and as people move from isolated and ill-served rural communities to small rural towns and urban settings, or abroad in search of employment and better facilities.

From the preceding discussion on the dynamics of Austrian–BiH migration, it is possible to identify four principal Bosnian migration groups and their priority needs.

A. Long-term migrants

This large group of “successful” migrants refers to those who have been able to regularize their status and secure employment in Austria. More often than not, they have reunified their immediate families in the place of migration. Many are in fact emigrants to Austria, indeed citizens of Austria, and their return intention is not

certain. This combination enables this group to retain a relatively large proportion of their earnings and to limit their remittance transfers to secondary beneficiaries such as parents or extended family members.

They might adopt a portfolio approach to managing their retained savings in order to earn interest and returns whilst spreading their risk. Some of these migrants may be interested in investing a part of their retained savings in viable investment opportunities in BiH, particularly if they provide a return on their investment which is greater than what they could earn elsewhere and compensates for perceived risk.

Indeed many of them may have migrated with this particular objective in mind. At the moment, of those that do invest in BiH, many focus on real estate because it fulfils a need (by investing their money in an appreciating asset and may provide them with a place of residence for holidays or on their return). However, such investments are not considered to be productive from a development perspective.

B. Current and potential migrants

The current migration process from BiH to Austria is broad-based, involving both men and women equally. Migrants are typically from less-poor HHs since they are able to mobilize or borrow sufficient cash resources to pay for their departure. They have usually completed their secondary education, and many have higher education.

They are driven (and to some degree “kept”) abroad largely in order to alleviate poverty, unemployment, low pay and the poor quality of life at home. The needs of these migrants are to: maintain contact with those at home, send money home safely and cheaply, have the option of utilizing their retained savings in BiH, and to return home to work locally (either self-employed or as employees).

C. Those left behind

Many families in BiH have at least one HH member abroad. Those left behind include parents and mature children, and less likely, spouses and dependent children. This group would be assisted by employment opportunities, the option of realizing self-employment potential when relevant, and increased communication with migrants in order to reduce isolation. They may also be interested in savings and investment options for savings they accumulated from current remittances on behalf of the migrant, or savings accumulated by the beneficiaries themselves.

D. Returnees

Many BiH migrants return home at fairly regular intervals, on a seasonal or cyclical basis. Some return home for good, either when they met their migration goals or prefer the prospects of life at home. Some may have specifically migrated in order to raise capital to start their own business. Others may have some retained savings and new skills that enable them to commence self-employment. It is likely that the majority will seek employment opportunities in the local economy. If this process is successful, it will dampen the wish to re-migrate at a later date.

E. The development challenge

The development challenge is to meet the demand for financing large-scale job creation (for those not interested in self-employment, entrepreneurship or income-generating activities), by recognizing and capitalizing on the savings and investment aspirations of distinct migrant groups. This mutually advantageous relationship can only be achieved by providing the migrants, as well as other investors, with investment and savings opportunities tailored to their needs and are of direct relevance to migrants, their beneficiaries and their communities.⁵⁷ This approach would complement public and private actors currently involved in SME development and credit provision, including OeEB's planned operations.

In large part, evidence from our surveys complements the existing literature insofar as recipients use migration-related funds primarily to increase their HH consumption rather than to save or invest in businesses or other productive assets. Migrants' remittances are indeed used to increase family consumption and stock wealth. On the other hand, our results also point to a higher overall family income in Austria and other host countries than is commonly presumed; this income level is combined with a relatively high propensity to save (i.e. relative to the general BiH public, but substantially lower than the findings for Albania and Kosovo/UNSC 1244). This higher propensity to save applies to both migrant and beneficiary levels.

In addition, and unlike the general population of BiH, the vast majority of legal and long-term migrants have experience with the banking systems of their respective host countries and entrust their savings to those intermediation agencies. Existing literature, as well as our results, also highlights the substantial medium- to long-term return potentiality of long-term BiH migrants, bringing with them the substantial human and social capital they have accumulated in their places of migration.

⁵⁷ As noted earlier, an improvement in the business environment is a precondition to any interventions aimed at maximizing the savings and investment impact of remittances. In BiH, priority might be placed on more effectively enforcing the policies and regulations already in place.

F. Environmental preconditions

It is in this context that measures facilitating and stimulating the use of migration-related financial flows, particularly migrants' capital in productive investments, should be examined. A successful outcome to any such intervention is based on two crucial environmental preconditions:

- Firstly, continued pursuit of sound macroeconomic policies and a political, inter-ethnic process that fosters stability, growth and development in BiH are self-evident and necessary preconditions to increasing the flow of migrant transfers and channelling them towards productive uses (i.e. productive investments). In this context, first and foremost, the promotion of economic, financial and political/inter-ethnic stability is necessary.
- Secondly, and building on the first precondition, a framework of policies and measures that directly address the concerns of migrants and convinces them, as well as their HHs in BiH, that they would benefit by transferring, and perhaps investing, a greater portion of their financial resources into savings products or productive investments in BiH. Clearly, any initiative in this area would need to be based on the clear recognition that remittances, migrant transfers and investments are private transfers and that the savings involved belong to the migrants and their families, whose primacy of choice in their allocation is paramount.

Recommendations and related areas of intervention

The following paragraphs expand on the guidelines above and link them to specific actions that might be implemented by OeEB over the medium-term.

A. Strengthen research and data

Current understanding of what motivates the migration, remittance, savings and investment decisions of BiH migrants remains surprisingly limited, and policy development is hindered by this paucity of information and analysis. Although it is accepted that these flows have crucially affected the alleviation of poverty and economic stabilization in BiH, these issues have not been analysed in a systematic way – neither at the microeconomic level nor at the macroeconomic level. In fact, what data has been collected has been largely used to estimate balance-of-payment flows. More empirical work clearly needs to be done to understand migration-related financial flows and their link to economic development.

Therefore, undertaking serious empirical analysis and its effective circulation at the appropriate levels, which would inform policy actions in this area, is in high need. In order to understand and effectively respond to evolving trends in the migration

sector it is necessary for BiH, as well as the financial intermediation industry itself, to substantially and systematically improve the volume and accuracy of available information on migration and resulting financial flows. With the financial and technical support of the OeEB, relevant ministries, the central bank, institutes of statistics and specialized agencies could undertake these actions – each within their respective expertise and mandates.

Given its particular importance to BiH, special mention must be made of the urgent need for in-depth and empirical research on the return potentiality of long-term migrants. The aim would be to both: a) understand the conditions required to support their sustainable return, and b) to provide attractive and viable incentives to encourage their retained savings/remittances towards productive investment. A related set of research activities could focus on the strong role of “social capital” in all phases of migration, as well as the creation of structural capital such as NGOs and other associations, informal and formal networks, and organizations. This will require repeated assessments of their changing requirements and a flexible approach. Therefore, longitudinal surveys are very appropriate.

This research would be directly linked to remittance, savings, investment behaviours and return management, and should be specifically designed to feed directly into the other measures proposed in this paper.

Note must also be taken of the relatively small market size of BiH migrants in Austria, at approximately 87,200 HHs (i.e. some 18% of the possible market, of which many BiH migrants are fully integrated in their country of migration). Action targeting those HHs and/or their beneficiaries in BiH may not prove cost effective, taking into account the commercial interests of the financial institutions and the necessity of reaching economies of scale. Further, there may be a risk of introducing market distortions in BiH itself through such tightly targeted interventions. Research focusing on outreach to a broader market, including other primary countries of migration, especially in EU Member States would therefore be useful.

B. Support policy dialogue for an enabling environment

Clear visions of the role of migration in the development process, and a sense of what can be achieved, as well as what is beyond the remit of government, are yet to be developed in BiH.

To be effective, remittance-specific initiatives that target investment and development need to be placed within a policy dialogue and framework that addresses: the appropriate macroeconomic framework; a conducive business environment; a profound understanding of savings, remittance and investment

patterns; and policies and programmes for employment promotion and income generation. OeEB could provide important insights into these broader policy dialogues, drawing on its core competencies in providing direct financial support and capacity-building to various intermediation services.

OeEB would be able to make substantive contributions to discussions in the following technical areas, using the prospect of heightening the impact of migration-related financial flows as leverage to encourage the BiH governments to improve the business environment and undertake complementary investments:

- reinforcing the importance of a sound macroeconomic framework and business-friendly regulatory environment from a migrant's perspective, with a view to facilitating and encouraging inward savings/investment from migrants;
- increasing the value of remittances by bringing a larger proportion into the formal sector, especially by lowering the costs of formal remittance transfers;
- broadening and deepening financial services to poor people and rural areas, possibly using transfer receivers and existing savers as "early adaptors";
- amending legislation to make it easier for businesses to become established;
- enforcing existing legislation, policies and programmes; strengthening the civil service; and lowering corruption;
- examining the possibility of establishing remittance-backed government bonds either targeting migrants directly or through securitization, with the guarantee that money will be paid back from future remittance flows;
- encouraging the formation of HTAs, especially with regard to awareness-raising and cooperation on issues such as savings and investment mobilization, as well as remittances.

OeEB could support the financial intermediation industry, relevant ministries, specialized agencies and civil society actors in promoting a wide-ranging consultative process to determine the policy framework in which BiH labour migration, long-term emigration and return processes are occurring, and what trade-offs BiH is both willing and able to make in regard to managing the positive and negative aspects of large scale migration. OeEB can provide important insights to this policy debate, particularly with regard to financial intermediation and opportunities for developing SMEs as well as the broader economy.

One of the findings of this report was a widespread and general lack of knowledge about the financial market, its institutions and regulations. Equally, popular understanding of government and finance industry policy and actions with regard to remittance-related issues such as savings channels, investment opportunities, incentives and disincentives is, for all intents and purposes, non-existent. In order to ensure that migrants and their beneficiaries receive correct information regarding financial intermediation structures, their opportunities, benefits, uses and risks,

a series of related information campaigns or “financial literacy efforts” could be supported by OeEB.

C. Awareness-raising and trust-building

Public information campaigns of direct relevance to the migration–finance–development challenge can be carried out via mass media outlets, diaspora associations, ports of entry and look-see visits, among others. A collaborative and coordinated effort on the part of all interested actors, including the ministries and financial institutions would add additional emphasis and impact to any such campaign. Relevance of the campaign should be ensured by means of the market research proposed here under the first intervention point, especially as regards the changing concerns and requirements of the migrants themselves. A pluralistic approach, taking into full account wide differences within the migrant community, their income levels and savings, as well as their experiences in the various host countries, is crucial in this regard.

As with other markets studied, one of the interesting features of Bosnian migration to Austria is its largely localized nature, allowing migrants frequent visits to their place of origin. When combined with a strong social network in the place of migration, a natural and trusted distribution mechanism for the dissemination of information exists. Therefore, public information campaigns that carefully target the places of origin will not only reach the beneficiaries of the remittances, but also the emigrants themselves.

Bosnian diaspora and other non-profit organizations as well as strengthened embassy/consular offices could offer, in BiH or in Austria, accurate information as well as savings and investment advisory services to migrants (or those who wish to return). Current and impartial information on available credit facilities, saving schemes, training in small-scale business management, as well as assistance in obtaining services from relevant government departments, commercial financial intermediaries and microcredit institutions could prove especially helpful.

A contextual and public policy objective that OeEB could support, one that is not directly in the area of financial intermediation, is the need to reinforce legal migration through a concerted effort by the BiH government to reach labour exchange and employment agreements with EU Member States and other countries. For the migrant, such an agreement framework would reduce the direct and indirect costs, as well as risks, related to migration, as well as reduce the migrant’s vulnerability to exploitation.

An intervention in support of regular migration would indirectly support OeEB's own development objective by increasing migrants' incomes, remittances and savings values and encouraging the use of formal channels. Such benefits would also extend to their beneficiaries through increased remittance flows, while simultaneously representing a direct benefit to the broader home economies.

D. Support the development and provision of relevant remittance, savings and investment products, services and interventions

By focusing on providing direct support to migrants and their HHs in BiH, mutually advantageous relationships might be created that benefit all stakeholders – including migrants/beneficiaries, place/country of origin, country of migration and participating financial institutions. As noted, any initiatives in this area need to be placed within an appropriate macroeconomic framework; a conducive business environment; a profound understanding of savings, remittance and investment patterns; and policies and programmes for employment promotion and income-generation. These issues are partially addressed by intervention areas A and B above.

The overall purpose of this area of intervention is to facilitate the establishment of conditions for a win-win situation for BiH and places of origin, host countries, migrants and financial intermediaries by:

- directly supporting migrants to meet their personal migration objectives;
- maximizing the developmental aspects of migration as they relate to financial flows and local investment; and,
- improving entrepreneurship and employment creation for the people left behind.

Particular emphasis could be placed on the promotion and use of microcredit and microfinance institutions among migrant communities, as well as assisting the microfinance institutions (MFIs) to reach out to the diaspora communities in order to develop new products and services which address the needs of this market segment specifically.

For example, actors in the microfinance sector could consider establishing intermediary vehicles, such as a social investment trust fund, which would focus on mobilizing a portion of migrant savings (i.e. migrant capital) accumulating in Austria and other places of migration. Such medium- to long-term savings could then be intermediated and lent on for business activities in BiH through the microcredit institutions' normal procedures; thereby, supporting the capital requirements of the microcredit institutions, while simultaneously providing migrant clients with a

reasonable rate of return on their savings, and providing these migrants with an opportunity to directly support the development of their home communities.

In support, marketing strategies can be built on the social and human capital identified by the research presented above.

Marketing approaches should be specifically designed to compensate for the perceived risks related to institutional, regulatory and other issues commonly associated with the transitional character of BiH and the widespread mistrust of the target groups vis-à-vis BiH financial intermediaries.

Annex II: OSCE-IOM regional conference conclusions

This Annex is adapted from the OSCE Final Report on the Regional Conference on “Migrant Investment, Return and Economic Reintegration for Development in the South-East European and Central Asian Regions”, 10–11 December 2009, Vienna

1. Government role – mainstreaming migration into national development strategies in countries of origin and countries of destination

- 1.1 The governments of countries of destination could expand their policies by including the concept of migrants’ savings for development. This would require the development of a legal framework to permit financial institutions and local governments to invest in development projects in the countries of origin. It would also require the inclusion of the diaspora/migrants associations in the planning of such projects and activities to better understand their needs and concerns. It would also be important to develop programmes that would provide migrants/diaspora with information and financial literacy training on different savings opportunities and investment products in the country of origin. Moreover, to build trust in the structures and systems of the country of origin, the country of destination could develop programmes that offer migrants matching funding for investment projects in the country of origin.
- 1.2 The financial institutions play an important role in supporting economic development. Therefore, governments should seek to work with them to develop more attractive investment products for migrants/diaspora, for example, development savings accounts, guarantee funds or general diaspora funds.
- 1.3 Establishing dialogue and partnership between countries of destination and countries of origin and mainstreaming migration into both the national development strategies of countries of origin together with the official development assistance strategies of countries of migration, which are essential in furthering the concept of migrants’ savings for investment and development, and one way of doing so is through bilateral and multilateral labour agreements. Such agreements could include information on savings and investment opportunities, reintegration services and programmes, possible collaboration on financial transfers, transfers of pensions and other social security-based savings accumulated by the migrant during the period of migration.

-
- 1.4 An attractive business and investment climate in the country of origin is also important for migrants/diaspora in order for them to save and invest there. Therefore, the governments of countries of origin need to consider how they can build a stable, transparent, predictable and well-governed economic and political environment. This may also include taking a closer look at banking regulations to determine if they hinder easy money transfers and savings/investment options for diaspora. Certain tax incentives/benefits and loan subsidies for investments into business and development type of projects may also help in attracting money back.
 - 1.5 To assist the migrants to engage in improved and effective migration behaviours as well as utilization of banking products and financial services, country-of-origin governments may need to provide departing as well as returning migrants and their family members with migration-related financial literacy training and information on different saving and investment products available in the country. Also, better marketing of investment and saving opportunities in the country of origin will help migrants/diaspora know what is available.

2. The role of central banks – facilitating reinvestment of diaspora communities

- 2.1 Considering the core duties and responsibilities of the central banks in participating countries, the majority have restored confidence in foreign exchange savings deposits for residents and non-residents. Almost all central banks have fulfilled their core duties in terms of prices and foreign exchange stability, and although they are performing supervision of commercial banks, further improvement is required. Even though most central banks have liberalized their foreign exchange and cross-border transactions, there is still more room for cooperation. Foreign exchange deposits should be securitized by central banks, so that commercial banks can issue foreign deposits. There is a need in some countries to decrease or not to impose taxation on interest. Improvements may also be required in relation to the exchange rate laws.
- 2.2 Central banks should promote and facilitate reinvestment by encouraging governments not to place a tax on reinvestment. Furthermore, additional efforts could be made to promote and advertise foreign deposits for migrants as well as investment opportunities.
- 2.3 Actions have already been taken by central banks to facilitate reinvestment including the liberalization of foreign transactions (which include fast money transfers) concerning deposits for non-resident national persons. An increase in the availability of fast transfers is also required to reduce costs.

-
- 2.4 Central banks should encourage non-residents to present themselves by opening accounts in the country of origin through reducing taxes, which might be negotiated with the Ministry of Finance.
 - 2.5 For the balance of payments to be more reflective of the actual situation, commercial banks should provide central banks with enough detailed information on their transactions.
 - 2.6 In support of reducing the barriers that restrain the impact of savings would be the establishment of a special purpose vehicle which is based on securitization by other central banks or the World Bank.
 - 2.7 Central banks should encourage further research by institutes and agencies. Besides consulting companies the specialized expertise of international organizations may be considered.

3. Commercial bank products in countries of origin for non-resident nationals

- 3.1 Commercial banks can improve the amount of money going back to countries of origin through new customer acquisition and awareness-raising.
- 3.2 “Knowing your client” should be a precondition where relevant products and services need to be extended to migrants from pre-departure and throughout the migration cycle, which also includes reintegration.
- 3.3 Commercial banks should identify segment specificities and understand the customer base, including the need for financial literacy training, as well as targeting current and future migrants to understand their requirements and needs.
- 3.4 Promoting and developing dialogue and cooperation between diaspora organizations, banks and governments remains crucial.
- 3.5 It should be recognized that the combination of national market factors and migration histories/trends is unique, and that there are profound differences between South-East Europe and Central Asia as well as within each region.
- 3.6 Improvement of product availability in relation to mortgage and cross border banking services remains crucial.

-
- 3.7 Opportunities offered by maintaining accounts with the same bank or corresponding banks in different countries should be further explored within the migrants' savings segment, based on a better understanding of the demand for such cross border financial services. One example of such cross-border initiatives would be building and transferring credit histories.
- 3.8 Drivers for development should be first directed by the private sector, while governments would play a more catalytic and regulatory role, and international organizations with migration expertise would lend their support.
- 3.9 National investment funds that appeal primarily to migrants' self-interest and diaspora home connections, managed by commercial banks guaranteed by governments, possibly in cooperation with international financial institutions, could be used to channel savings to countries of origin. They could be earmarked for infrastructure projects and social services, among others. Governments could also subsidize the interest rate. Such a joint trust fund would address the lack of trust in countries of origin on the part of migrants, and it would also provide some level of guarantee against default and currency risks. In this way, it would provide for a safer environmental vehicle in the context of a small and undeveloped financial market.
- 4. Migrant associations - outreach and communication with diaspora on countries of origin; investment benefits and the role of international organizations in supporting economic revitalization and employment generation through diaspora engagement and return of qualified nationals with investment capacity**
- 4.1 Focusing on the potential inherent in migrants' savings for development is a new approach and hence a topic that has not been well studied. The identification of best practices and further targeted research on specific migrant communities is required in order to analyse migrant saving patterns, in particular, gathering evidence concerning migrants' perceptions of investments and savings. This type of research could be undertaken by research institutions, including international organizations with specific migration expertise besides consulting companies. These findings could be presented to private-sector financial institutions, governments, and international financial institutions for further action.

-
- 4.2 Important tools for maximizing migrants' investments should include the following:
- Building trust in the financial system as well as in other institutions. Current research indicates that the majority of migrants tend to keep the largest portion of their savings in their countries of migration, especially after the financial crisis and in cases in which migrants were mistreated. The diaspora could also help restore that trust.
 - Creating efficient migration practices and financial literacy. Training workshops in this regard could be extremely helpful for migrant investment.
- 4.3 Assist governments to mainstream migration into their national development strategies to ensure that the diaspora is given a more prominent role to develop economies in countries of origin.
- 4.4 Governments could create the necessary conditions (e.g. by offering bank accounts and giving guarantees for savings in the country of origin) for encouraging savings in the countries of origin. Diaspora can only act once these preconditions have been fulfilled.
- 4.5 Operational programmes should be organized with governments, recruitment agencies, as well as with migrant associations, who should be given a voice in bilateral labour agreements, as well as in the whole process of migration. In terms of best practice, migration should be considered from the moment it starts to the moment it ends.

Annex III: Bosnia and Herzegovina, its transition process and investment climate

*This Annex is adapted from background materials supporting the IASCI/IOM study entitled *Maximizing the Development Impact of Migration-related Financial Flows and Investment from Austria to Bosnia and Herzegovina (2009)*, carried out on behalf of the OeEB.*

An overview

BiH is the poorest country in the former Yugoslavia with an economic activity essentially concentrated on industrial production (22.1%) and services (61.7%). In 2005, average national wage growth was 5.9 per cent, with 9.9 per cent in RS. Gross domestic product (GDP) reached USD 9.5 billion in 2005 with a GDP per capita of USD 2,423. Unemployment is extremely high, estimated at 40 per cent (70% of young people aged 18–30) and almost 20 per cent of the population live with incomes under the poverty line (40% with incomes close to the poverty line).

During the (early) post-war period, efforts were concentrated on the establishment of functioning political and institutional structures and on the reconstruction of the country's critical infrastructures. Meanwhile, more political stability has been achieved and positive results have been registered in terms of macroeconomic stabilization. Prior to the current global economic slowdown, external debt had stabilized and substantial improvements have been made in public finance management with a fiscal reform, a reduction in government spending and the introduction of the value added tax (VAT), replacing different entity sales taxes.

The elaboration by the authorities of a Poverty Reduction Strategy (PRS) was an important step towards the consolidation of BiH's transition process and its national policies. This strategy serves as a basis for sectoral priorities and spending decisions, as well as a framework for external assistance. The general priorities of the PRS are: (i) to strengthen the business environment for domestic and foreign investors, (ii) fight corruption, and (iii) speed up BiH's integration into the European Union. The successful implementation of the PRS requires a strong commitment and vigorous action from the authorities, as well as increased cooperation between the entities and a better interaction among policies, public administration, civil society and the business community.

Regional free trade agreements are often asymmetric to the advantage of BiH and favour regional trade with Slovenia, Croatia and Serbia and Montenegro. BiH is one of the most liberalized countries in the region; for example, the telecommunication sector is fully liberalized. Nevertheless, under the pressure of its internal agricultural producers, BiH had to come back on some of its international arrangements in favour of a more protectionist approach. Economic relations between BiH and the EU account for about half of the country's total imports and exports.

From the peak following the Dayton Peace Agreement, economic growth stabilized. BiH has one of the more stable macroeconomic climates in South-East Europe, characterized by sustained economic growth, stable currency and low inflation. In 2007, nominal GDP reached EUR 11.05 billion. Real GDP growth was 6.8 per cent, continuing the underlying trend of growth of around 5.5 per cent to 6.5 per cent. FBH receives larger inflows of international assistance. It is estimated that the majority of foreign remittances from Bosnians living abroad are sent to people living in FBH.⁵⁸

According to the 2007 European Commission Progress Report on BiH, the country's macroeconomic stability was weakened by expansionary fiscal policies, higher inflation and widening external imbalances. The continuing excessive influence of the public sector on the economy, in particular slow privatization and restructuring or liquidation of insolvent state-operated enterprises in FBH, continues to hamper the efficient allocation of resources by market mechanisms.

There was a further shift in the sectoral structure of the economy towards services (i.e. retail and wholesale trade, financial intermediation and real estate). At the same time, the contribution of public administration, education and health. In 2007, lending by microcredit and leasing companies grew by around 60 per cent. In addition, in RS some of the proceeds of privatization were channelled to SMEs through the RS Investment-Development Bank. The Federation followed suit by establishing its own development bank through the transformation of the previous investment bank. Improvements in the business environment primarily benefited the SME sector, mainly in the shape of improved access to finance. The informal sector remains large. Overall, structural shifts in the economy remain slow and SMEs continue to operate in a complex business environment.⁵⁹

This should not obscure the genuine progress BiH has made in some areas. Before the current standstill, it was moving in fits and starts toward EU membership. On 1 January 2008 a facilitation and readmission agreement helped launch a visa

⁵⁸ Agency for Statistics of Bosnia and Herzegovina, Bosnia and Herzegovina Fact Sheet, January 2009.

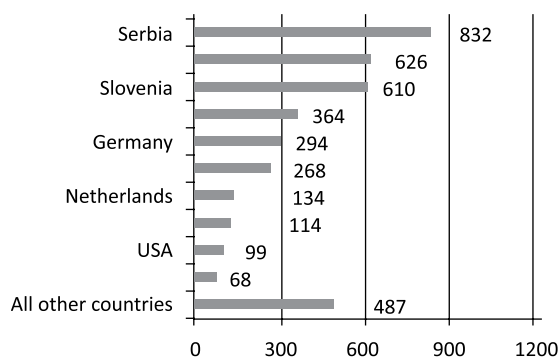
⁵⁹ European Commission, Commission Staff Working Document, Bosnia and Herzegovina 2008 Progress Report, SEC (2008) 2693 final, Brussels, (2008).

liberalization dialogue that should eventually lead to visa-free travel to the EU for Bosnian citizens. Signing the Stabilization and Association Agreement (SAA) on 16 June 2008 was important: the SAA is the first legal agreement between BiH and EU member states on the road to membership. An interim agreement on trade came soon after. But BiH has been slow to meet its obligations under these agreements and has made virtually no other progress on the European agenda.

Investment Climate

From the end of the war until today, the country has done a great deal to open its economy to foreign investment resulting in the following stocks of foreign direct investment (FDI) (see Figure 60).

Figure 60: FDI stocks by country, May 1994–December 2008 (in million euro)



As can be seen from Table 21, FDI has been relatively steady in the years prior to the current economic crisis. FDI was predominantly taking place in the banking and manufacturing sectors, with a one-off jump in telecommunications in 2007.

Table 21: FDI inflow by industry (in million euro)

Industry	2004	2005	2006	2007	2008
Manufacturing	216	102	153	600	342
Trade	60	31	37	130	170
Services	25	28	29	5	86
Banking	151	214	241	69	47
Transport	9	3	2	11	28
Tourism	24	-2	-	6	15
Real estate	2	4	4	93	10
Telecommunication	7	6	7	683	2
Other financial services	73	92	91	31	1
Total	567	478	564	1,628	701

Source: CBBH; FIPA.

However, foreign investors continue to face a number of serious obstacles, including a complex legal and regulatory framework, non-transparent business procedures, and weak judicial structures. The WB rates BiH 119th out of 181 countries as a place to do business (see Table 22).⁶⁰

In 2008, the World Bank, on the request of government authorities, conducted an assessment on the investment climate. The study marked financial solvency problems, insufficient capital availability, and underdocumented labour as the main problems facing the private sector in BiH.

Table 22: Ease of doing business rank⁶¹

Ease of...	Doing Business 2009 rank	Doing Business 2008 rank	Change in rank
Doing business	119	117	-2
Starting a business	161	153	-8
Dealing with construction permits	137	150	13
Employing workers	117	116	-1
Registering property	144	148	4
Getting credit	59	51	-8
Protecting investors	88	84	-4
Paying taxes	154	144	-10
Trading across borders	55	57	2
Enforcing contracts	123	125	2
Closing a business	60	61	1

In addition, the time and costs needed to start a business in Bosnia are still exceptionally excessive, which further serves to deteriorate the investment climate. However, these market-entry barriers could be easily removed by streamlining regulations to allow quick start-ups.⁶² According to the Foreign Investment Promotion Agency, the investment climate is characterized by the following incentives for foreign investors:

The Law on the Policy of Foreign Direct Investments of BiH (Official Gazette of BH, 17/98, 13/03) ensures national treatment of foreign investors, that is, foreign investors have the same rights and obligations as residents of BiH.

⁶⁰ World Bank (2009) Doing Business Report.

⁶¹ Source: www.doingbusiness.org.

⁶² The World Bank, World Bank presents Investment Climate Assessment for BH, New Financing and Investment Mechanisms Proposed for Revving Up Enterprise Performance and Voucher Privatized Firms, December 2008.

-
- Foreign investors are entitled to open accounts in any commercial bank in domestic and/or any freely convertible currency on the territory of BiH.
 - Foreign investors are protected against nationalization, expropriation, requisition or measures having similar effects; such measures may take place only in the public interest in accordance with the applicable laws and regulations and against the payment of an appropriate compensation, that is, compensation that is adequate, effective and prompt.
 - The rights and benefits of foreign investors granted and obligations imposed by the Law on the Policy of Foreign Direct Investment (mentioned above) cannot be terminated or overruled by subsequent laws and regulations. Should a subsequent law or regulation be more favourable to foreign investors, the investor will have the right to choose the regime by which the investment will be regulated.
 - Foreign investors may own real estate in BiH. Foreign investors enjoy the same property rights in respect to real estate as BiH citizens and legal entities.
 - Foreign investors are entitled to transfer abroad, freely and without delay, in convertible currency, proceeds resulting from their investment in BiH.
 - Foreign investors concerned about risks of transfer restrictions, expropriation, war and civil disturbances and denial of justice, can be insured against these risks with the European Union Investment Guarantee Trust Fund for BiH, administered by the Multilateral Investment Guarantee Agency (MIGA, a member of the World Bank Group).
 - BiH is eligible for assistance from the US Overseas Private Investment Corporation (OPIC), which also provides political risk insurance for investors.
 - Free trade agreements: BiH has signed the Central European Free Trade Agreement (CEFTA).
 - Preferential export regimes: according to the preferential export regime with the European Union, all goods of BiH origin that fulfil EU technical–technological standards and conditions, can be imported to all 27 EU countries until the end of 2010 without any quantitative restriction and without paying customs and other similar duties.⁶³

⁶³ FIPA (2007) *Incentives for Foreign Investors*.

Recent economic situation

BiH continues to face the global economic downturn with no demonstrated ability to respond effectively. In principle, in BiH the fiscal policy is the only macroeconomic policy instrument at the disposal of the BiH authorities. Monetary policy has been functioning on the principles of the Currency Board Arrangement since 1997, with a fixed peg to the euro. At the end of 2008, Standard & Poor's Rating Services improved BiH's credit rating to "B+" with stable outlook.⁶⁴

Table 23: Selected macroeconomic indicators, 2007–2008

	Annual		Quarterly			
	2007	2008	Q1	Q2	Q3	Q4
Industrial production						
FBH (% change y-y)	9.1	8.0	-1.5	5.1	0.0	0.0
RS (% change y-y)	1.4	16.8	9.0	10.7	0.0	0.0
Gross monthly wage						
FBH (% change y-y)	9.7	n/a	12.2	13.1	15.4	12.5
RS (% change y-y)	10.3	29.3	22.3	31.4	32.3	30.7
Cost of living CPI						
FBH (% change y-y)	1.5	7.7	6.8	8.5	9.5	5.8
RS (% change y-y)	1.8	7.2	6.1	8.2	9.3	5.1
Current account balance (millions of EUR)	-1,160	n.a.				
Trade balance (millions of EUR)	-4,071	-4,303	-1,077	-1,290	-1,157	-780
Exports of goods (millions of EUR)	3,035	3,432	801	911	919	801
% change y-y	15.0	13.1	14.8	19.0	16.2	2.6
Imports of goods (millions of EUR)	7,106	7,736	1,878	2,201	2,076	1,581
% change y-y	22.0	8.9	27.4	20.9	11.3	-18.8
Foreign exchange reserves (millions of EUR)	3,425	3,219	3,376	3,339	3,494	3,219
Broad money (millions of EUR)	6,263	6,532	6,341	6,541	6,865	6,532
% change y-y	21.6	4.3	18.1	14.3	14.8	4.3
Credit to non-govt. borrowers (millions of EUR)	6,052	7,317	6,450	6,911	7,231	7,317
% change y-y	28.1	20.9	28.7	28.7	27.1	20.9

⁶⁴ The Central Bank of BiH, Credit History, Sovereign Credit Ratings, December 2008.

Economic activity remained robust in the years prior to 2008, despite the slower implementation of reforms. As a result of earlier reforms, higher metal prices and generally favourable external conditions, GDP growth increased by around 6 per cent in 2006 and even accelerated to 6.8 per cent in 2007. With export growth of about 36 per cent in 2006, 15 per cent in 2007 and 13 per cent in 2008, the export performance of the BiH economy surpassed that of other countries in the Balkans region. Exports were still dominated by steel and aluminium, though the shares of more technologically sophisticated products increased, including in machinery, car parts, and furniture.⁶⁵ However, moving into the current economic crisis all of the above export industries suffered from weak export demand. Specifically, during the first half of 2009, exports dropped 44 per cent and imports dropped 45 per cent (year-on-year).

In general, statistical data available from BiH agencies are rather weak and dated. The more useful recent indicators on macroeconomic development are therefore the ones published by the WB and the International Monetary Fund (IMF). While the time lag affecting official statistics hides the immediate impact of the worldwide financial and economical crisis, these indicators make it clear that many businesses in BiH are suffering.

The macroeconomic indicators in Table 23 provide an indication of the extent to which BiH was affected by the global financial and economic crisis.

As expected from a small open economy, the global economic crisis spread quickly in BiH, reversing some of the positive effects of the previous period, as well as putting at risk macroeconomic stability and some important economic reforms. The economy clearly experienced a recession in 2009 with a drop of GDP of around 7 per cent and with exports and construction being the most affected sectors. In the same period, indirect tax revenues dropped almost 15 per cent. BiH's current account deficit (CAD) and inflation decreased because of the downturn in economic activity and falling commodity prices. In response to these adverse conditions the government agreed to a stand-by arrangement with the IMF in the amount of USD 1.6 billion. The 2009 GDP reduction was forecast to be followed by a slow recovery starting in 2010.

It is important to note that financing CAD is expected to be more difficult in light of the credit crunch and the current global economic outlook, and part of it may have to be financed by drawing from foreign currency reserves.⁶⁶

⁶⁵ <http://web.worldbank.org>

⁶⁶ World Bank, Newsletters, Economic Newsletter 1/2009, February 2009.

While poverty decreased during the earlier parts of the decade (for instance, from 18 per cent to 14 per cent in the period 2004 to 2007), with 20 per cent of the population still at risk of falling into poverty in case of an income shock, it remains a real concern. Employment has indeed been shrinking as a result of the global crisis and poverty may be further deepened due to falling remittances.

Deposits

According to a GfK survey from 2006, only 9.5 per cent of the population have savings accounts in BiH banks.⁶⁷ The same survey states that 21.5 per cent of citizens save their cash in a mattress, and the remaining two thirds of the BiH citizens do not save at all.⁶⁸

Furthermore, according to the Household Budget Survey 2007, conducted by the Agency for Statistics of BiH, only 6 per cent of BiH HHs save, and 94 per cent of HHs do not save at all.⁶⁹

BiH has a relatively low savings rate. This is typical for countries in transition in general. However, BiH has the lowest savings rate out of all countries of the Western Balkans region. BiH authorities are aware of this problem, and one of the main goals of the financial development for the period 2008–2013 is to increase the national savings deposit until the region average has been achieved.⁷⁰

It is important to note BiH's Law on Prevention of Money Laundering, according to which banks are obliged to report the following transactions to the Financial Intelligence Department of the State Investigation and Protection Agency (FID):

1. a transaction, client or person that is suspicious;
2. a cash transaction of KM 30,000 or more;
3. connected cash transactions which together amount to KM 30,000 or more.

In reference to the above transaction, persons who want to deposit KM 30,000 or more must provide information about the source of money or property that is subject of the transaction.⁷¹

⁶⁷ Gesellschaft für Konsumforschung.

⁶⁸ Growth from Knowledge, Press Release, Savings in BH banks, February 2006.

⁶⁹ Agency for Statistics of BiH, Household Budget Survey 2007.

⁷⁰ Directorate for Economic Planning of BH, *Produbljena situaciona i SWOT analiza radnog cilja: Odrzati i poboljšati makroekonomsku stabilnost*, 2009.

⁷¹ Law on the prevention of money laundering.

Deposits and economic crisis

Deposits in BiH banks during the last quarter of 2008 decreased by 7.6 per cent, and at the end of 2008, they amounted to KM 12 billion, according to the CBBH. The most prominent decrease of deposits was recorded in October when citizens started to withdraw their deposits.⁷²

According to the Governor of the CBBH, the total withdrawals amounted to KM 800 million, with the greatest impact in October 2008. However, in November 2008, BiH citizens began returning their deposits to BiH banks, and by the end of 2008, KM 100 million was re-deposited; signalling that BiH citizens had regained some trust in BiH banks.⁷³

Challenges looking forward

A summary list of the primary challenges related to the country's ongoing economic development might include:

- An ongoing dependence on international aid and an urgent need for investments to bolster the transition process: efforts to attract foreign investment led to the development of the State Foreign Investment Policy and the successful reform of the banking system as well as customs reform. In spite of these reforms, the structural and institutional framework conditions need to continue improving in order to create a sound basis for economic growth and poverty alleviation.
- Lack of accountability in the political and administrative institutions: the allocation of responsibilities to the entity governments reveals itself as an obstacle to nationwide reforms and results in a confusing array of regulations, fees and standards and a lack of transparency, thus facilitating corruption.
- Market fragmentation: the weaknesses of the legal and regulatory framework, the lack of a strong competitive private sector and the absence of a single internal market remain important impediments to the country's economic development. The private sector in BiH requires further efforts on corporate restructuring.

⁷² The Central Bank of BiH, Bulletin 2008, December 2008.

⁷³ Poslovni dnevnik, Središnja banka snizila stopu obvezne reserve, Iz BiH banaka podignuto 800 mil. KM, Decembar 2008.

-
- Weak public finances and high current account deficit: the domestic debt is estimated to be 200 per cent of GDP, thus threatening future investment and growth. Despite the improvements in public finance management, spending for the administrative and political structure remains high.
 - The 2006 elections showed that nationalistic tendencies persist and still cause insecurity among large segments of the population. It also makes cohabitation of different ethnic groups more difficult. Since the 2006 elections, in which SNSN leader Dodik and SBiH leader Silajdžić defeated more moderate competitors, Bosnian parties have been increasingly hostile towards each other. The former High Representative says Bosnia is mired in “complete political stagnation”. There is no agreement on the future, and elite mistrust reflects a genuine absence of social trust. Consensus attained through painstaking negotiations breaks down quickly over trivial matters. Purely technical issues assume a nationalistic valence; indeed, an observer noted that in the current atmosphere, “there are no technical matters”. National and international observers alike described the mood as the worst since at least the immediate post-war period.⁷⁴
 - According to the World Bank,⁷⁵ beyond mitigation of the impact of the global slowdown on the real economy, the most pressing economic reform challenges for BiH can be classified into two broad categories:
 - Improving competitiveness and fostering private sector-led growth: Faster reforms are needed for BiH to compete with other transition economies, as it strives for deeper integration into European and global markets. In the medium run, improving the skills base of the BiH labour force will be a key determinant of competitiveness. More short-term reforms include efforts to reduce the cost and duration required to comply with regulations to start and run a business, further privatization of strategic enterprises, as well taking measures to enable restructuring and exit of poorly performing enterprises. The government should continue with the reforms of the tax system and should particularly aim to reduce the rates of social contributions. Further efforts towards the creation of a single economic space and a single domestic market are also needed, particularly to support BiH’s EU aspirations.

⁷⁴ European Commission, Commission Staff Working Document, Bosnia and Herzegovina 2008 Progress Report, SEC(2008) 2693 final, Brussels, (2008).

⁷⁵ World Bank, Country Brief, Source: <http://web.worldbank.org/>

-
- Improving the effectiveness and efficiency of public spending should also be made a priority. Existing expenditure levels are too high and their structure is largely neither growth-oriented nor poverty reduction-oriented. The composition of spending can be improved by introducing better control of the public wage bill, improving the targeting of social assistance to benefit the most vulnerable, increasing the efficiency and raising the level of public investments. Above all, the efficiency of spending should be enhanced through better controls and improved budgeting processes. To improve public-sector efficiency, fiscal coordination ought to be strengthened between various levels of government. The capacity of public administration also ought to be strengthened should it be able to cope with these challenges.

Annex IV: Overview of the financial system in Bosnia and Herzegovina

This Annex is adapted from background materials supporting the IASCI/IOM study entitled Maximizing the Development Impact of Migration-related Financial Flows and Investment from Austria to Bosnia and Herzegovina (2009), carried out on behalf of the OeEB.

BiH began its transition to a market economy later than most other countries of the region and in extremely difficult circumstances in 1996 following the end of the 1992–1995 war. Since then, BiH has carried out many reforms in financial sector. The reforms have been accompanied with an institution building process.

The financial system of BiH is considered neither well-developed nor sufficiently diversified. Today, the financial system of BiH is based on a few types of financial institutions and intermediation, including: commercial banks, MFIs, insurance companies, leasing companies, and capital markets.

Table 24: Structure of BiH's financial services sector, 2005–2007⁷⁶

Segments of the financial services sector	2005		2006		2007		Assets growth index 06/05	Assets growth index 07/06
	Assets in KM min	Share (%)	Assets in KM million	Share (%)	Assets in KM million	Share (%)		
Banks	12.156	78.26	15.231	80.69	19.682	79.9	125.3	129.22
Privatization investment funds	1.792	11.54	1.553	8.23	1.764	7.16	86.66	113.59
Insurance and reinsurance companies	676	4.36	708	3.75	853	3.46	104.73	120.48
Microcredit organizations	344	2.21	522	2.77	916	3.72	151.74	175.48
Leasing sector	564	3.63	862	4.57	1.417	5.75	152.84	164.39
Total for the sector	15.532	100	18.876	100	24.632	100	121.53	130.49

In 2007, the total assets of the sector of financial services were KM 24.63 billion (EUR 12.6 billion), with the banking sector having a share of 79.90 per cent;

⁷⁶ FBH Banking Agency, RS Banking Agency, FBH Securities Commission, RS Securities Commission, FBH Insurance Supervisory Agency, RS Insurance Agency, Association of Leasing Companies BH, Association of Microcredit Organizations in BH.

investment funds, 7.16 per cent; leasing companies, 5.75 per cent; microcredit organizations (MCOs), 3.72 per cent; and insurance, 3.46 per cent.

Table 24 clearly indicates that the banking sector is the most successful sector in BiH economy in respect of the asset size. The biggest growth of the total assets in the financial services sector in BiH in 2007, when compared to 2006, was registered in microcredit organizations (75% increase) and leasing companies (64% increase). Insurance and reinsurance companies in 2007 registered growth of 20 per cent, compared to 2006 figures.

In 2006, the IMF found that the major risks to financial stability in BiH lie in the fact that foreign-owned bank subsidiaries rely on foreign funding in combination with the large account deficit, equal to 21 per cent of GDP in 2005.⁷⁷ Given the current worldwide economic crisis, these risks proved to be true in 2008 when BiH started recording a decrease in credit growth.

The same IMF assessment identified the following reforms that should be carried out to cope with the risks to financial stability:

- strengthening banking supervision and adapting it to the transformation of the financial system in line with recommendations in the Basel Core Principles (BCP) assessment;
- increasing banks' flexibility to rely on local funding to finance credit;
- enhancing cooperation with home supervisors of foreign-owned banks;
- strengthening surveillance capacity;
- unifying the two entity supervisors.

In addition, the EU addressed very similar priorities related to the financial sector in its Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with BiH.⁷⁸

The comparison of the financial system in BiH to the neighbouring countries is visible from the transition indicators published by the EBRD.

In the Transition Report 2008 that was published in November 2008, BiH made progress in the banking sector, reflected by a high mark of 3 (on a scale of 1 to 4).

⁷⁷ IMF, Bosnia and Herzegovina: Financial System Stability Assessment, including Reports on the Observance of Standards and Codes on the following topics: Banking Supervision and Corporate Governance, 2006.

⁷⁸ The Council of European Union, BiH 2007 European partnership, 2008/211/EC: Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with Bosnia and Herzegovina and repealing Decision 2006/55/EC.

On the other hand, the non-banking financial system, with the exception of the MFIs is still considered as undeveloped in comparison to the rest of region and it was evaluated with a mark of 1.67.

Looking forward for the period 2008–2013, the banking sector will undoubtedly keep its leading position in the financial system and for the economical development of BiH.⁷⁹

A. Banking sector

The banking sector of BiH consists of 31 banks (Appendix 3), out of which 21 are in FBH and 10 in RS. Banking supervision and licensing is regulated by two banking agencies (The Banking Agency of the Federation of Bosnia and Herzegovina and the Banking Agency of the Republika Srpska) on the level of the state entities in accordance with the Law on Banks. Of these 31 banks, only 8 are private domestic banks, 20 banks are owned by foreign banks and three banks are owned by the state.

Today, the banking sector is dominated by six large foreign-owned subsidiaries. The first three places are competed for between the UniCredit Group, Raiffeisen Bank and Hypo Group. Fourth, fifth and sixth places are taken by NLB Group Intesa San Paolo, and Volksbank, respectively.

Although the country has made strong and visible progress in developing the financial sector, banking supervision is still at the Entity level (although some banks operate in both Entities), despite repeated appeals from the international community to unify the two supervisory agencies, either within the central bank or in a separate agency.

From the latest published information on the Banking System of the Federation of Bosnia and Herzegovina for the first three quarters of 2008, it is obvious that overall profitability of the system has considerably deteriorated in comparison to the same period in 2007. Over the first nine months of 2008, financial result at the system level was positive of KM 57.1 million, representing a significant decrease by 50 per cent or KM 56.3 million in comparison to the same period in 2007. Positive financial result of KM 89.6 million has been reported by 14 banks, which is 23.7 per cent or KM 27.8 million lower than for the same period in 2007.

⁷⁹ Directorate for Economic Planning of BH, *Produbljena situaciona i SWOT analiza radnog cilja: Održati i poboljšati makroekonomsku stabilnost*, 2009.

At the same time, a performance loss of KM 32.5 million has been reported by six banks.⁸⁰

On the other hand, the Banking Agency of Republika Srpska has published information about the banking sector for of 2008. According to the report, 9 out of 10 banks reported positive financial result in total amount of KM 32.7 million and only one bank, which started with work in July 2007, reported a loss of KM 1.7 million.⁸¹

From the beginning of the crisis, it became evident that parent banks were in the position of continuing to provide the same (but not higher) level of financing to their banks in BiH, so the banks need to increase their capital by issuing stocks/bonds, and stimulate savings by offering higher deposit rates.⁸²

Further, the Banking Agency of the Federation of Bosnia and Herzegovina required from the banks owned by foreign banking groups a written confirmation that “mother banks” would not withdraw their resources/funds invested in loans and deposits before the settled term. According to the Director of the Banking Agency of the Federation of Bosnia and Herzegovina, all banks obtained consent in writing. In his opinion, these statements are one more proof of stability in the banking sector.⁸³

B. Microfinance sector

The results achieved in the past nine years in the microfinance sector put BiH among the countries with the highest development level in this area of financial intermediation. It is important to stress that in BiH the microfinance sector serves those clients who do not have collateral, have low income, or no income whatsoever. In BiH micro credit organizations (MCOs) are not allowed to take deposits at this time.

New legislation on MFIs (the law “On microcredit organizations” also known as MCO) was adopted in July 2006 and in October 2006 in RS and FBH. The law outlined the process of re-registering MFIs into two possible forms, either microcredit

⁸⁰ Banking Agency of the Federation of Bosnia and Herzegovina, Information on the Banking System of the Federation of Bosnia and Herzegovina, as of September 30th, 2008. 2009.

⁸¹ Banking Agency of Republika Srpska, Izvjestaj o stanju u bankarskom sektoru Republike srpske za period od 01.01.2008-31.12.2008. 2009.

⁸² Poslovni dnevnik, Financijski stručnjaci kažu kako su strane banke u BiH prisiljene emitiranjem vrijednosnih papira jačati svoju kapitalnu osnovu, Banke u BiH zbog krize potiču štednju. 2009.

⁸³ Poslovni dnevnik, FBiH Agencija za bankarstvo dobila potvrde, Inozemne banke neće povlačiti sredstva iz BiH, 2009.

foundations as non-profit and microcredit companies (MCCs) as profit form, while the Banking Agency was defined as the supervisor for the sector.

In FBH, the new law provides for a staged process: MCOs first can only register as non-profit microcredit foundations, and then as for-profit MCCs.

In contrast, in RS, MCOs can register as for-profit microcredit companies right away.

The minimum capital requirement for foundations is EUR 25,000 (USD 37,000) and EUR 250,000 (USD 370,000) for MCCs. There are also restrictions on the maximum loan size – EUR 5,000 (USD 7,400) for foundations and EUR 25,000 (USD 37,000) for MCCs.

Although the purpose of the new legislation was to better accommodate the current level of the microfinance sector development in the country, there are a few issues that will likely present challenges for further growth of MFIs:

- Limitation of the loan size could be a restraining factor for MFI portfolio diversification and outreach to the higher end of the micro enterprise spectrum, potentially resulting in confinement of the microfinance sector to a rather narrow category of clients.
- It should be noted that the actual average loan size for most of the MFIs is already at or above the prescribed limit level for foundations.
- The new law does not provide for deposit taking activities.⁸⁴

According to financial indicators, 12 organizations – all members of the Microfinance Association (AMFI) that covers 97 per cent of the microfinance market in BiH – have disbursed over KM 1 billion of credit funds (see Table 25).

Table 25: Selected microfinance indicators⁸⁵

(in KM)	31 Dec 2007	31 Dec 2008
Number of active clients	293,703	392,700
Number of disbursed loans	284,198	325,276
Amount of disbursed loans	971,347,759	1,043,870,112
Average loan size	2,625	2,735

As in previous years, members of AMFI in BiH continuously receive rewards and recognitions from the WB and Consultative Group to Assist the Poor (CGAP) for

⁸⁴ Eastern Europe and Central Asia Microfinance Analysis and Benchmarking Report, 2008.

⁸⁵ Microfinance Association (AMFI).

a high level of transparency in doing business and financial reporting. Out of 20 awarded institutions from all over the world in 2007, there were five MCOs from BiH.

Impressive results that prove the quality of MCOs' work in BiH are also reflected in the fact that five AMFI members are included in the list of 100 most successful MFIs, published by Forbes, a prominent US business magazine.

C. Insurance companies

The insurance market in BiH is still undeveloped. As of July 2008, there were 24 insurance and reinsurance companies. Most insurance companies rely on non-life business.⁸⁶

Insurance companies are supervised by the two entity-level insurance supervisory agencies. Both agencies have regulatory and supervisory functions. In addition, pursuant to the new Law on Insurance Agency of Bosnia and Herzegovina, the Insurance Agency of Bosnia and Herzegovina has been established.

As for the current financial and economic crisis, two leading insurance companies, Sarajevo Osiguranje and Bosna-Sunceosiguranje reported a drop in non-mandatory insurance market for the first two months of 2009.⁸⁷

D. Leasing companies

In BiH there are currently 10 leasing companies – with four of them established in 2007. Most are owned by a banking group, and only one is owned by a group from the insurance sector. Financing is coming mostly from foreign partners. Leasing companies are under supervision of the Banking Agency of the Federation of Bosnia and Herzegovina and the Banking Agency of Republika Srpska.

There is no leasing law at the state level. The Law on leasing companies in RS was adopted in 2007, and the Law on Leasing Companies in FBH is in parliamentary procedure and should be adopted in 2009.

The members of the Association of Leasing Companies are: Hypo-Alpe-Adria Leasing, Raiffeisen Leasing, VB Leasing, NLB Leasing, UniCredit Leasing, Euroleasing and S-Leasing. Together, they account for more than 90 per cent of the market.

⁸⁶ Insurance Agency of BiH, Statistics of Insurance Market in BiH, 2007.

⁸⁷ Bosnia.ba, Uticaj finansijske krize na osiguravajuće kuće u BiH: Manje kasko i imovinskih osiguranja, April 2009.

The leasing market in BiH has realized high growth rate during the last few years despite the lack of an adequate legal framework. During 2007, the number of leasing contracts was 7,310, with the following structure: vehicles, 82 per cent; equipment, 14 per cent; real estate, 3 per cent; and 1 per cent for other proposes. The total value of leasing services in 2007 was around EUR 387 million. The Association of Leasing Companies in BiH still has not published its 2008 annual report. However, the data for the first half of 2008 are available and presented in Table 26.

Table 26: Leasing market performance for the first half of 2008⁸⁸

	In million euro
Vehicles	73.10
Equipment	45.4
Real estate	69.50
Other	1.4
TOTAL	189.4

E. Capital market

BiH has two stock markets organized at the entity levels. Both the Sarajevo Stock Exchange (SASE) in FBH and the Banja Luka Stock Exchange (BLSE) in RS were established in 2001, with the first transactions registered at the beginning of 2002. However, although the markets are institutionally separated there are no noteworthy differences between them.⁸⁹

Both markets can be defined as dawning markets. As is true for all newly established markets in SEE, they are characterized by low liquidity, volatility of prices and privatization process-driven turnover doubling from year to year. The main weakness of the local capital market is perceived as the effective lack of local investors who could provide necessary liquidity to the market. So far the market has been dependent solely on foreign investors.

F. Pension reform

Pension reform is seen as one of the most important reforms needed by this sector. Although expected to be prepared by the end of the first semester 2008, the legal framework necessary for the implementation of the pension reform was not completed or passed in the Parliamentary procedure in FBH or in the RS.⁹⁰

⁸⁸ Association of Leasing Companies in BiH.

⁸⁹ Capital Market Portal in the Federation of BiH.

⁹⁰ UNDP BiH Newsletter, Pension Reform and Social Protection Systems in Bosnia and Herzegovina, 20 November 2007.

According to the latest information available, the working group for the implementation of the Pension Reform in BiH prepared the proposal for a model of a new pension system, which should replace the current public pension system, mostly financed by mandatory social contributions and partially from entity budgets.⁹¹ In RS, the Parliamentary Assembly adopted the Law on Voluntary Pension Funds, which is the most important legal requirement for establishment of voluntary pension funds crucial for enhancement and deepening of the local capital markets. It is expected that this completion of the process of pension reform will bring an expansion of this segment of the financial market in BiH.

G. Brokerage firms

The Sarajevo and Banja Luka stock exchanges currently have 13 and 19 operating brokerage houses (members), respectively. After record turnover and profits in 2007, last year saw considerably worsening market conditions in the brokerage business, with turnover and market prices slumping continuously. Total turnover on both stock exchanges was not just below the bull year 2007, but also below two previous business years. The main blue chip indices, the SASX-10 and the BIRS, dropped by more than 60 per cent, with no index constituents recording gain in 2008.

The main reason for the above-mentioned trends in 2008 was the outflow of the foreign institutional investors. These made up the main driving force of BiH markets in previous years by constituting more than 60 per cent of turnover in markets. With the deepening of the financial crisis and risk aversion foreign investors exited the BiH, strongly pushing liquidity and markets prices downwards. Hence in 2008, brokerage houses total market turnover dropped to KM 275.1 million on the BLSE and KM 477.1 million on the SASE.

With the further deterioration of main market indicators – the extremely poor average daily turnover of KM 274,000 and KM 767,000 on BLSE and SASE and further drop of indices by 30 per cent during Q1 2009 – it is obvious that market conditions for the brokerage business have become severe. It is expected that the brokerage market in BiH consolidates further in 2009, with seven brokerage houses already having stopped trading on BLSE and SASE in 2008 and 2009.

⁹¹ International Labour Office, Report on the pension reform in Bosnia and Herzegovina: First assessment, 2009.

H. Investment funds

Besides the brokerage business, other segments of institutional market participants are quite undeveloped in the BiH capital market. Closed-investment funds, established during the process of mass privatization (privatization investment funds – PIFs), continue to dominate the BiH market. Currently there are 11 closed-ended investment funds in the SASE with current market capitalization of KM 166.6 million and net asset value of slightly above KM 1 billion, while at the BLSE there are currently 16 closed investment funds with a total net asset value of KM 408 million.

The size and importance of the open-ended funds in BiH is at very low levels. There are only 6 open-ended funds (four in FBH and two in RS), and most were established during the bull market year in 2007. When the BiH markets registered a virtual free fall during 2008 and 2009, their asset value slumped significantly, totalling to less than KM 10 million at the end of 2008.

One of the crucial preconditions for the further development of investment funds is the new Law on Securities and Investment Funds in the FBH, which entered into force on January 2009. The Law enables establishing not only equity funds but bonds, money market, venture funds and real estate funds. However, the most important change is in investing policy, where, according to the new Law both open and closed-ended funds can now invest 25 per cent of their net asset value abroad. Previously they could invest only in the domestic market. This is a crucial change for enhancing returns, hedging and diversifying risk. These developments are likely to support further development of asset management and establishing new market players.⁹²

I. Money transfer operators

Western Union and MoneyGram are the two MTOs operating in BiH. Western Union services are available in almost every bank, while MoneyGram services are available only through UniCredit Bank. There is no official data on the total of remittances received through MTOs in Bosnia. But based on consultants' interviews with local bank officials, these transfers constitute only a small percentage of the total remittances received due to their high costs.

⁹² Capital Market Portal in the Federation of BiH.

Bibliography⁹³

Agency for Statistics of Bosnia and Herzegovina

2007 *Household Budget Survey.*

2009 *Bosnia and Herzegovina Fact Sheet, January.*

Agunias, D.

1996 *Remittance Trends in Central America.* Migration Policy Institute.

Banking Agency of Republika Srpska

2009 Izvjestaj o stanju u bankarskom sektoru Republike srpske za period od 01.01.2008-31.12.2008.

BiH Ministry of Foreign Affairs

2007 http://www.mfa.gov.ba/Index_eng.htm

Bosnia.ba

2009 Uticaj finansijske krize na osiguravajuće kuće u BiH: Manje kasko i imovinskih osiguranja, April.

Central Bank of BiH

2008 Bulletin, December.

2008 Credit History, Sovereign Credit Ratings, December.

Chindea, A. et al.

2007 *Bosnia and Herzegovina Migration Profile.* International Organization for Migration (IOM).

Consultative Group to Assist the Poor (CGAP) and Microfinance Information Exchange (MIX)

2009 Eastern Europe and Central Asia Microfinance Analysis and Benchmarking Report, February.

Council of European Union, BiH

2007 European partnership, 2008/211/EC: Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with Bosnia and Herzegovina and repealing Decision 2006/55/EC.

⁹³ This Bibliography refers to the entire study.

de Montoya, L. et al.

2006 *Bosnia and Herzegovina: Country-Level Savings Assessment*. Washington, D.C.: Consultative Group to Assist the Poor.

Dimova, R. and F. Wolff

2009 *Remittances and Chain Migration: Longitudinal Evidence from Bosnia and Herzegovina*. Institute for the Study of Labor, Discussion Paper Series: IZA DP No. 4083, March.

Directorate for Economic Planning of BH

2009 Produbljena situaciona i SWOT analiza radnog cilja: Odrzati i poboljsati makroekonomsku stabilnost.

European Commission

2008 Commission Staff Working Document, Bosnia and Herzegovina Progress Report, SEC 2693 final, Brussels.

European Society for Opinion and Marketing Research

1995 ICC/ESOMAR International Code on Market and Social Research Practice, June. International Chamber of Commerce, the World Business Organization.

Foreign Investors Support Fund (FIPA)

2007 *Incentives for Foreign Investors*. <http://www.fipa.gov.ba/page.asp?id=42>

Growth from Knowledge

2006 Press Release, Savings in BH banks, February.

International Agency for Source Country Information (IASCI) and International Organization for Migration (IOM)

2009 *Maximizing the Development Impact of Migration-Related Financial Flows and Investment from Austria to Bosnia and Herzegovina*.

IASCI and partners: Core partner: Centre for Economic and Social Studies, CESS (Albania). Research partners: International Organization for Migration, IOM (Albania, Austria and BiH), Centre of Sociological, Politological and Psychological Analysis and Investigations, CIVIS (the Republic of Moldova), International Fund for Agriculture and Development, IFAD (Armenia)

- 2005 Albania
- 2006 Armenia
- 2008 Albania
- 2009 Bosnia and Herzegovina
- 2009 Kosovo/UNSC 1244
- 2009 Republic of Moldova
- 2010 Albania
- 2010 Kosovo/UNSC 1244
- 2010 Republic of Moldova

International Monetary Fund (IMF)

- 2006 Bosnia and Herzegovina: Financial System Stability Assessment, including Reports on the Observance of Standards and Codes on the following topics: Banking Supervision and Corporate Governance.

Insurance Agency of BiH

- 2007 Statistics of Insurance Market in BiH.

International Labour Office (ILO)

- 2009 Report on the pension reform in Bosnia and Herzegovina: First assessment.

Izet, I. et al.

- 2006 *Migration Flows in Bosnia and Herzegovina after 1992*. ERSA, European Regional Science Association.

Limun.hr.

- 2007 *Diaspora days in Sarajevo*, 26 July. Sarajevo. <http://www.limun.hr/en/main.aspx?id=179418>

Lubura, T.

- 2007 *Trade Policy and Issues in relation with Poverty Reductions in Bosnia and Herzegovina*. BiH Directorate for Economic Planning (DEP), March.

Ministry for Human Rights and Refugees of Bosnia and Herzegovina

- 2005 *Comparative Analysis on Access to Rights of Refugees and Displaced Persons*.

Organization for Security and Co-operation in Europe (OSCE)

- 2009 Final Report on the Regional Conference on “Migrant Investment, Return and Economic Reintegration for Development in the SEE and CA Regions”, Vienna, 10–11 December.

Oxford Research International

- 2009 *The Silent Majority Speaks: Snapshots of Today and Visions of the Future of Bosnia.*

Poslovni dnevnik

- 2008 Središnja banka snizila stopu obvezne reserve, Iz BiH banaka podignuto 800 mil. KM, Decembar.
- 2009 FBiH Agencija za bankarstvo dobila potvrde, Inozemne banke neće povlačiti sredstva iz BiH
- 2009 Financijski stručnjaci kažu kako su strane banke u BiH prisiljene emitiranjem vrijednosnih papira jačati svoju kapitalnu osnovu, Banke u BiH zbog krize potiču štednju.

Simanic, N.

- 2006 *Migration Citizenship Education: Forced Migration and Ethnic Conflicts in Bosnia and Herzegovina.* Interational Commission of Missing Persons, Sarajevo, November. <http://www.migrationeducation.org/20.0.html>

Stites, E. et al.

- 2005 *Coping with War, Coping with Peace: Livelihood Adaptation in Bosnia-Herzegovina, 1989–2004.* USAID.

Sud Bosne i Hercegovine

- 2005–2010 *Law on the prevention of money laundering.* Official Gazette of Bosnia and Herzegovina, No 29/04, <http://www.sudbih.gov.ba/>

United Nations Development Programme (UNDP) BiH

- 2007 Newsletter, Pension Reform and Social Protection Systems in Bosnia and Herzegovina, 20 November 2007.

World Bank

- 2008 *Migration and Remittances Factbook*. Development Prospects Group.
- 2008 World Bank presents Investment Climate Assessment for BH, New Financing and Investment Mechanisms Proposed for Revving Up Enterprise Performance and Voucher Privatized Firms, December.
- 2009 *Doing Business in Bosnia and Herzegovina*. World Bank, www.doingbusiness.org.
- 2009 Newsletters, Economic Newsletter 1/2009, February.
- 2010 Country Brief – Bosnia and Herzegovina, <http://go.worldbank.org/IX9Q6UVG20>

Other sources:

- American Association for Public Opinion Research, <http://www.aapor.org/Home.htm>
- Association of Leasing Companies in BiH
- Association of Microfinance Institutions in Bosnia and Herzegovina (AMFI-BiH), <http://www.amfi.ba/eng/>
- Capital Market Portal in the Federation of BiH
- Gesellschaft für Konsumforschung, <http://www.gfk.com/group/index.de.html>
- International Organization for Migration (IOM) and Republic of Slovenia, Ministry of Interior 2009 *Bosnia and Herzegovina Migration Profile*.
- United States Agency for International Development (USAID), <http://www.usaid.gov/>

LIST OF TABLES

- Table 1: Selected data on migrant household savings and remittance behaviour
- Table 2: Overview on migrants and corresponding sample size for migrant survey
- Table 3: BiH migrant community by country
- Table 4: World Bank estimates of remittances per annum (in million USD)
- Table 5: Amount and structure of remittances in BiH (in million USD)
- Table 6: "Do you or your household have one or more bank accounts in your destination country?"
- Table 7: "Do you or your household have one or more bank accounts in BiH?"
- Table 8: "You obtained a bank loan in..."
- Table 9: "Did you have family, friends and neighbours in (destination country) prior to departure?"
- Table 10: "Are you aware of any persons from your place of origin living near you?"
- Table 11: "Are there any persons from your place of origin working with you?"
- Table 12: "You currently own property in..."
- Table 13: "Where does your household regularly save money?"
- Table 14: "Of this amount transferred in 2009, what percentage do you think was..."
- Table 15: "Have you invested in or provided credit to a business enterprise in BiH in the past?"
- Table 16: "Have you invested or do you plan to invest in a business in (destination country)?"
- Table 17: "Do you plan to initiate or expand an investment in a business enterprise (including in the real estate sector) in BiH in the future?"
- Table 18: "Do you plan to invest in..."
- Table 19: "Have the skills and experience you obtained during your migration influenced your investment interest?"
- Table 20: Key financial characteristics
- Table 21: FDI inflow by industry (in million euro)
- Table 22: Ease of doing business rank
- Table 23: Selected macroeconomic indicators, 2007–2008
- Table 24: Structure of BiH's financial services sector, 2005–2007
- Table 25: Selected microfinance indicators
- Table 26: Leasing market performance for the first half of 2008

LIST OF FIGURES

- Figure 1: "In what year did you first migrate to your current place/destination country?"
- Figure 2: "In what year did you migrate to your current place/destination country?"
- Figure 3: "Why did you select (destination country) as your destination country?"
- Figure 4: Respondents by age group
- Figure 5: "What level of education did you complete prior to migration?"
- Figure 6: "What was your primary sector of employment in (destination country) in 2009?"
- Figure 7: "Specify your level of employment in 2009 in your place of migration"
- Figure 8: "Did you prepare in any way before you migrated to live or work abroad?"
- Figure 9: "In what year did you regularize your long-term residency/work permit in (destination country)?" combined with "In what year did you migrate to your current place/country of migration?"
- Figure 10: "What was your main source of income in 2009?"
- Figure 11: "What is your marital status?"
- Figure 12: "Can you specify how many members of your household are with you in your destination country?"
- Figure 13: "Did these contacts assist you to migrate and find a job or residence?"
- Figure 14: "How did you originally find employment in your destination country?"
- Figure 15: "Did you have a job lined up in (destination country) prior to departure?"
- Figure 16: "Town /locality of migration" (Austria as specific example)
- Figure 17: "On average, how often do you visit BiH on an annual basis?"
- Figure 18: "Do you expect to return to BiH (for permanent residence) in the future?"
- Figure 19: "Which primary condition has to be met before you will consider returning to BiH on a permanent basis?"
- Figure 20: Total number of years in migration - "In how many years do you intend to return permanently to BiH?" cross-tabulated with "In what year did you migrate to your current place/destination country?"
- Figure 21: "To which place do you plan to return?"
- Figure 22: "What is your personal (not household) net monthly average income from all sources at your place of migration (in euro)?"
- Figure 23: "How many of the above persons, including yourself, are receiving a regular income in (destination country)?"

-
- Figure 24: "Can you estimate the total net average of the incomes of all the people you mentioned as part of your migrant household, including yourself, per month?"
- Figure 25: "Can you estimate the total net average of the incomes of all the people you mentioned as part of your migrant household, including yourself, per month?"; "On average, how much does your household spend per month in the destination country?"
- Figure 26: "Do you or your household regularly save money from the income earned in the destination country?"
- Figure 27: "Please rank the top three savings objectives that your household wants to achieve during your period of migration"
- Figure 28: "How confident are you in reaching your savings objectives?"
- Figure 29: "In (destination country), you keep your household savings in..."
- Figure 30: "Can you estimate the share of household savings that is kept in BiH?"
- Figure 31: "In BiH, you keep your savings in..."
- Figure 32: "Did you or a member of your household in migration transfer money to BiH in 2009 (including hand-carry?)"
- Figure 33: "Can you rank the most important purposes for transferring money to BiH?"
- Figure 34: "Can you estimate the total value of these transfers in 2009?"
- Figure 35: "Of the amount transferred in 2009, what amount do you think was consumed, saved and invested?"
- Figure 36: "How many such transfers took place in 2009, including those hand-carried/sent in cash?"
- Figure 37: "What is your favourite means of money transfer to BiH?"
- Figure 38: "Do you think more or less money was sent by your household to BiH in 2009, when compared to previous years?"
- Figure 39: "Do you expect your household to transfer more or less money to BiH in 2010, when compared to 2009 (USA, Canada, Australia)?"
- Figure 40: "Can you estimate the total net average of the incomes of all the people you mentioned as part of your migrant household, including yourself, per month?"
- Figure 41: "Do you expect to return to BiH (for permanent residence) in the future?"
- Figure 42: "Have you invested in or provided credit to a business enterprise in BiH in the past?"; "Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?"
- Figure 43: "Please rank the top three savings objectives that your household wants to achieve during your migration abroad"
- Figure 44: "In which sectors do you plan to invest?"
- Figure 45: "How do you plan to invest in your business?"
- Figure 46: "Do you plan to supplement the above investment(s) through other means such as..."

-
- Figure 47: “In what year did you migrate for the first time?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 48: “Country of current migration” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 49: “What is your age?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 50: “What is your gender?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 51: “What level of education did you complete prior to migration?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 52: “What was your main source of income in 2009?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 53: “What was your primary sector of employment in (destination country) in 2009?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 54: “Specify your level of employment in 2009 in your destination country” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 55: “Which primary condition has to be met before you will consider returning to BiH on a permanent basis?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 56: “Can you estimate the total value of [remittance] transfers in 2009?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 57: “Please rank the top three savings objectives of your household to be achieved during your period of migration” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 58: “How confident are you in reaching your savings objectives?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 59: “Have you invested in or provided credit to a business enterprise in BiH in the past?” cross-tabulated with “Do you plan to initiate or expand an investment in a business enterprise in BiH in the future?”
- Figure 60: FDI stocks by country, May 1994–December 2008 (in million euro)

17 route des Morillons
1211 Geneva 19
Switzerland
Tel: +41.22.717 91 11 | Fax: +41.22.798 61 50
E-mail: hq@iom.int | Internet: <http://www.iom.int>