

Report

Regional Forum 'Diaspora Direct Investments' Experiences from the Western Balkans

The Regional Forum looked at how diaspora direct investments could be leveraged in a way to benefit the Western Balkan's economic development. The regional forum showcased successful diaspora initiatives, provided an opportunity to learn from regional experiences and stimulated critical reflections on diaspora engagement and their link to business creation and expansion. The Regional Forum is an initiative of the International Centre for Migration Policy Development and organised in partnership with the Senate of Economy Austria and the Austrian Chamber of Commerce.

More specifically, its objectives were to provide a platform to:

- 1) Exchange experiences, facilitate networking and the sharing of good practices from the region in the field of remittances, transnational entrepreneurship and diaspora investments;
- 2) Identify measures to lower financial transaction costs through better use of modern technologies and innovative business models;
- 3) Assess barriers for catalyzing diaspora investments and highlight opportunities for the region;
- 4) Harness the information and lessons learnt to prepare the ground for a Link Up! follow-up project.

Around 80 stakeholders participated and included government representatives, among others from Western Balkans countries (Albania, Bosnia and Herzegovina, Kosovo*, the former Yugoslav Republic of Macedonia, Montenegro, and Serbia) and Austria; representatives of diaspora and media associations and entrepreneurs from the Western Balkans and Austria; and topical experts from academia, financial institutions, investment funds, think tanks as well as representatives from international organizations.

The symposium was framed around the 'Link Up! Enabling Diaspora Direct Investments' project conducted by the International Centre for Migration Policy Development (ICMPD) from October 2016 to November 2017. The study was commissioned by the Austrian Development Agency in order to explore the potential for supporting diaspora entrepreneurship. This report summarises key discussion points in the regional forum and recommendations for programmes specifically targeting diasporas in starting up or expanding a business in Serbia.

DAY 1: Regional Forum - Diaspora Direct Investments

Welcome remarks

Ms Malin Frankenhaeuser, Head of Policy Unit at ICMPD, welcomed participants and gave a short introduction on the background of the symposium. She then gave the floor to Mr. Michael Spindelegger.



Mr. Michael Spindelegger, Director General of ICMPD underlined the importance of the regional forum to promote and stimulate diaspora investments, and to contribute to lowering financial and remittance transaction costs. He stressed the importance of migrants as they can positively impact the regional development and catalyse innovative business models. The financial contribution of diaspora to its countries of origin is impressive, as World Bank data shows. The global volume of migrant remittances was more than 600 billion USD in 2016. This amount almost equals global foreign direct investment and exceeds development assistance by four times. In the region,

remittances are also a crucial economic factor: in Bosnia and Herzegovina remittances contribute to 11 percent of its GDP, in Montenegro to almost 10 percent and in Albania to almost 9 percent. Aside from these figures, he highlighted that diasporas are much more than just economic resources. As he said: 'they are cultural brokers, catalysts for immigrant integration, agents in the transfer of knowledge and technology, communicators of values and ideas, image builders and facilitators of trade, investment and tourism.' However, diaspora investments face major obstacles, such as the high costs of sending remittances, the lack of trust in the financial sector and economic stability in their home countries, among other reasons. He finished his welcome remarks by highlighting

the need for better policy to enable diasporas to live up to their full potential as investors, and handed the floor to Mr. Martin Ledolter.



Mr. Martin Ledolter, Managing Director of the Austrian Development Agency greeted the participants and added that he is glad that the Austrian Development Agency is able to foster cooperation in economic areas and sustainability, particularly with a special focus on the Western Balkans. Austria has longstanding and strong ties with the Western Balkans region. A healthy economy is the very foundation for the development of any country and for overcoming poverty. That is why ADA's goal is to facilitate inclusive growth that leaves no one behind. It is in this context that diaspora are of utmost importance, and the Serbian diaspora with its community of 300,000 members make significant contributions to Serbia. Remittances contribute to 17% of GDP in the Western Balkans region or 8,6 billion dollars in 2015 in absolute numbers. Therefore, diasporas contribution for the economic wellbeing of the region is especially noteworthy. Diaspora members have a huge comparative advantage as they know their home countries better than anyone else. This conference revolves around these facts. It is a great opportunity to discuss this vast potential, share ideas and find ways to make diaspora investments happen with and through the diaspora. This would also help ADA in reaching its overall goal to foster regional sustainable economic growth and stability for the benefit of all people. ADA is already very active in the region but would like to scale up their cooperation with the region. That is also why the collaboration with ICMPD is important. Mr. Martin Ledolter finished his speech by expressing his gratitude to Mr. Michael Spindelegger, the team of ICMPD for their continued work on migration and development and diaspora topics and their excellent cooperation with the Austrian Development Agency.

Keynote address: Diaspora Matters

Mr. Kingsley Aikins, CEO of Diaspora Matters, gave a keynote address by illustrating the origins of the diaspora and then elaborated on the more recent developments. Mr. Aikins highlighted that diaspora engagement is a non-competitive industry for which CASE applies (copy and steel everything). By sharing ideas and seeing what other countries are doing, solutions can be found. Diasporas reflect soft power, a term coined by Joseph Nye, and that is a powerful way of reaching your goals. We are living in a time when change is happening faster than in any other time in history and diaspora can have a role in that. Every country has diasporas, every city has it, but also sports clubs, universities, companies have diasporas. The Irish state consists of 5 million people, but Ireland's global nation has 17 million people. Ireland sees these people not as lost actors, as they traditionally were, but as national assets: 'brain drain' can become 'brain gain' and 'brain exchange' – this is an incredible resource for the country. Globally, 250 million people now live outside of the country in which they were born. This number has tripled in 45 years. In 1990, it was 150 million. There has been a big surge over the last 25 years. Over 80 million Europeans live outside the country they were born in. According to World Bank data, remittances sent through the banking system amount to 600 billion USD, representing four times the amount of Official Development Assistance. Talking about examples of China, India, Israel and Ireland, he explained that networking with diaspora and developing better diaspora policies helped these countries to make profound changes for the better. To make diaspora engagement successful, it is essential to know your diaspora and to understand that diaspora itself is diverse, meaning that it requires different approaches and strategies. The important thing is to think about giving to your diaspora rather than taking from it, to build trust, network and to listen to their needs.



Panel Discussion: Remittances as a catalyst for Investments



The Panel 'Remittances as a Catalyst for Investments' consisted of high level representatives from the Republic of Austria, the Republic of Moldova, FYR of Macedonia and the Republic of Serbia who discussed the importance of remittances for their economies and also shared their country's experiences in engaging diaspora for the purpose of private sector development. The panel was chaired by **Mr. Peter Launsky-Tieffenthal**, Head of Section at the Federal Ministry for Europe, Integration and Foreign Affairs of the Republic of Austria. It was followed by a round of questions and answers.

Mr. Edmond Ademi, the Minister for Diaspora Affairs of the FYR of Macedonia, stressed the importance of remittances for the economy of FYR of Macedonia. It significantly helped the country to overcome the economic crisis which started in 2008. The current Ministry for Diaspora Affairs was established in June 2017 and this has been the first time since 1998 that such a Ministry is part of the government. He pointed out that it is their main task to catalyse remittances into more productive use, albeit their contribution to the Macedonian economy is already very significant: the official number of remittances sent to Macedonia is 160 million according to World Bank data while unofficial numbers go up to 1 billion EUR, which is one third of their budget. The Minister explained that they currently do not established connections with their diasporas and that the perception was negative on both sides. After a series of talks and meetings with diaspora representatives, civil society organizations, international organizations and experts, they came to the conclusion that it is necessary to work on new strategy on diaspora – the first of its kind after the country's independence. They are currently creating working groups with several ministries so that they can work on this national strategy. The goal is to involve NGOs and independent experts to make the process as inclusive as possible. The strategy has four pillars: political rights, economic development, culture and education, science and youth. The first, the political pillar is based on diaspora rights to vote. Mr. Ademi stated that, since 2011, diaspora can vote at central level, but have to be physically present to vote for local elections. Since then, they had several members of parliament who are from the diaspora. After changes in the Election law, it became much harder for them to enter the parliament and their goal is to solve this issue in the long term. The second pillar relates to the economic development: changes in the law are expected to make it easier to invest. Ademi explained that they have created separate categories of investments, amongst other one category called Direct Diaspora Investments (DDI) to keep track where the investments come from. Although everyone is equal before the law when it comes to investments, diaspora investments are supposed to be stimulated through special government incentives of up to 30%. According to Mr. Ademi, diaspora can give much more than remittances and investment. Recognition is also given in the area of culture and education and science which are the third and fourth pillars of the upcoming strategy. 'I refuse to see diaspora as just a bag of money as they are our ambassadors of culture as well', he stated. Mr. Ademi explained that Macedonian diaspora is ethnically divided and this presented one of the biggest challenge for him. He aims to engage all, irrespective of their ethnicity, to find common interests and to promote the multicultural character of his country.

Ms. Vera Vukicevic, the Deputy Assistant Minister for Consular Affairs of the Republic of Serbia, mentioned the importance of diaspora for her country's economy: 5 million people live outside of Serbia and out of that number, 2,1 million live in the neighbouring countries presenting a significant potential for their country of origin. The impact of diaspora's remittances is huge: between 40-75 billion EUR have been sent to Serbia in the last 10-15 years, thereby making Serbia one of the highest remittance-receiving country in the region. It is estimated to be between 8-13,7% annually, behind Moldova but ahead of Macedonia. The total remittances between 2000 and 2010 have been 2,5 times higher than direct foreign investments. Most remittances come from Germany, Switzerland, France, Austria and the USA. Most diaspora members prefer bank transfers as the main tool to send their money to Serbia. Around 800 000 people in Serbia receive money from the diaspora. In terms of strategic documents and the legal framework, Ms. Vukicevic stressed that they are doing a lot as Serbia has adopted the Law on Diaspora in 2009, as well as the Strategy of Developing and Strengthening the Cooperation with



Diaspora in 2011. However, the Action Plan is missing and that is something that they still have to work on. Serbia encourages FDI, but 'there seems to be a lack of information and ideas', she explained. Serbia has a wide range of diplomatic missions and they could be put to better use to engage diaspora. Investors mostly plan to invest in the towns they came from which are mostly rural areas. Ms. Vukicevic concluded by stressing that building capacities at the local level, transparency, fighting corruption and providing good examples are the best ways to engage diaspora.

Ms. Daniela Morari, the Deputy Minister for Foreign Affairs and European Integration of the Republic of Moldova, talked about their experiences in engaging diasporas. They started engaging the diaspora by getting in touch with them, listening to their suggestions and by understanding their needs. They have put in place many activities and institutions that target diasporas: diaspora days in August, an online forum of the Prime Minister through which many diaspora associations are active, an Education Centre for Diaspora, Bureau for Relations with Diaspora as well as many activities to bring back Moldovan children from diaspora communities to learn about their culture and country. They have developed many projects in the field of diaspora engagement, e.g. Pare 1+1 in 2010 which helped to double the amount of money diasporas invests in Moldova. Some of these projects proved to be successful and grew big while others failed. They are also developing a handbook to mainstream migration into development. Currently, they are interested in projects at the local level. 'One of our most important conclusions is that migration happens locally and the biggest consequences are at the local level', Ms. Morari emphasized. One of the on-going projects is to link diasporas with local public administration and to involve them in the development of different regions. She singled out the Nexus project. Thanks to this project they learned that migrants are not migrating to remit but to save. Currently, there are lots of discussions with different private sector actors on how to engage diaspora at the local level. Ms. Morari also explained that they are interested in developing a migrant trust fund to set up a financial tool to attract savings and direct them into productive investments. She also noticed that crowdfunding is becoming very popular, and the core here is the trust of diasporas in the government, at local level, and in banking instruments. Based on their experience with diaspora, they created a coordination platform at national level: all problems reported on the platform are included in the strategy for diaspora. They also have a Deputy Minister who is in charge of coordinating diaspora issues that are being sent to the Bureau for Relations with Diaspora. All these issues have been taken into account while drafting the strategy. Ms. Morari pointed out that Moldova has been active in the Global Forum for Migration and Development as well as in the Global Compact. They are also trying to get diaspora involved as actors of reintegration as they have issues with the breakaway Transnistria region.

Panel: Financial Inclusion and the Digital Transformation

The Panel: 'Financial Inclusion and the Digital Transformation' provided insight into the newest technologies in the financial and digital sector, and how these changes will impact the banking sector and access to finance. This panel included a representative from the Austrian Angel Investor Association, a representative from the ERSTE Group, an expert on Blockchain technology, and the regional program coordinator from the Impact Hub Vienna representative.

Ms. Selma Prodanovic opened the panel by saying that she is a strong believer in entrepreneurship, especially if we look at it in terms of the sustainable development goals. Entrepreneurship is a fast track tool to getting there faster. Before giving the floor to the speakers she stressed that it is important to understand that start-ups and early entrepreneurs need access to 'smart money', e.g. not just money but also social capital and opportunities to network.

Ms. Elfriede Sixt from the Fintech Academy stated that the main topic she is working on is Blockchain Technology, which is a revolutionary technology as it opens the door to immense possibilities in the future. She also advises startups and works as an accountant. She became interested in Blockchain technology as she wanted to know more about it in order to better be able to advise startups. This was the main reason why she also wrote a book about Blockchain. Ms. Sixt explained that, in simple terms, Blockchain Technology is used to solve very important issues on trust. The trust that we currently give to intermediaries such as banks will be replaced by software algorithms, and this will change the way we think about money in ten to fifteen years. The result of such software algorithm with a distributed ledger will provide



a very transparent and immutable register for all transactions that are performed. Blockchain and artificial intelligence and Internet of things will enable Orpheus. Talking about the impact that Blockchain technologies will have on remittances transfer and access to finance, she explained that Bitcoin can make remittance transfers faster and cheaper. But the reality as of now is that Western Union does most of the transactions. It's a relatively complex technology, but you don't really have to understand how it works to use it properly. Currently, the issue with bitcoin is that it is the first virtual currency and it needs improvements. In addition, Bitcoin transactions are not that fast and it is not cheap to use it anymore. She also mentioned the initial coin offerings are basically crowdfunding offered through Blockchain. Startups from all over the world, but mostly from Eastern Europe, were able to raise more than 2 billion USD using this method and by issuing tokens. Some think that 70-80% of all these start-ups are located in Eastern European countries. The way it works, for example in Austria, is that startups issue eurocoin for which they receive bitcoin EVA. By using virtual currency, in exchange for this digital value, they can raise funds globally. At the moment the market of crowdfunding digital assets is unregulated and not transparent. 90% of people who use bitcoins do so to speculate and not to make payments. This way, Blockchain can grant access to large amounts of financing and therefore initiate major changes in how investments are going to be done in Europe. The main issues with Bitcoin are scams, speculations and the issue of electronic identity. Ms. Sixt is also a business angel doing seed financing mostly for German and Austrian startups, but she has also invested into Ukrainian startups in the past. She realized that people from Eastern Europe are early adopters of new technologies and have realized the potential of crypto currency early on. The value of bitcoin in 2010, when it first started, was 35 USD. Now it is over 5,000 USD.

Ms. Mirjana Sakic from the ERSTE Group believes that finances should be a tool for a better life. ERSTE Bank was established in Vienna two hundred years ago as a social enterprise to provide access to loans to people who were not part of the upper class. There are a lot of people who are still financially excluded, especially in the Western Balkans, and mostly people with low income, marginalize groups, Roma community, women and even starting entrepreneurs - and that is their main target group. For that purpose, three years ago, they launched an initiative called `Step by Step` covering the Central and Eastern European region, including the Western Balkans. `For the first time we are not only offering what we know the best, like loans and money, but we offer knowledge as well.` The program targets these groups that have been left behind financially and they partnered with NGOs, social entrepreneurs and government projects that are active in that area. The program is based on three pillars: first – special products and services for starting entrepreneurs who are completely excluded from the financial sector. The second pillar reaches out to low income individuals and the third group consists of social organizations and enterprises who want to make a social change. `The whole idea behind this program is that money can do good and bring about a positive impact` she said. Talking about the impact of technology on the banking system, she pointed out that banks face serious competition outside of the banking sector like Google, Facebook, and things are changing really fast. She mentioned the one digital money project that they have implemented in Romania. The idea was to copy the system which existed in South Africa. Although they did everything by the book, it was not successful because of cultural differences.

Ms. Bistra Kumbaroska has been working as Regional Program Coordinator for the Impact Hub Vienna, but has in fact been involved in social businesses for the past nine years for the Western Balkans region. Her work at the Impact Hub Vienna started in 2014 but before that she had her own NGO called Mladi info that enabled young Macedonian people to study abroad. However, going back to their country of origin was difficult and most of these young people stayed abroad and established businesses. She is still in touch with them. As she also wanted to pursue that career path, she ended up at the Impact Hub Vienna as it is the only community in Central Eastern Europe where she could work with social entrepreneurs. Investments are usually measured on the basis of returns and profits, though little is being done to actually measure their social impact. Impact Hub Vienna works with a lot of investors in Vienna and they try to raise awareness among wealthy people that there is a meaning to wealth and that the social impact of investments is important. According to Bistra, the need for technology and fostering an entrepreneurial mindset to tackle social problems is more pressing than ever. `Technology and future trends are not something we should be afraid of. It is something that needs to be implemented, especially in regions like the Western Balkans where it can make a huge difference`, she emphasized. Talking about their activities in the region, she mentioned that the Impact Hub Vienna launched a Social Impact Award that covers the whole Western Balkans region plus fourteen other countries. Through this program young, inexperienced, aspiring entrepreneurs receive mentorship and coaching, and some even get financial grants to test their idea. They also work with local partners from the Western Balkans like Impact Hub Belgrade and Raznivaliste from Serbia, Innovation Centre Kosovo and Mladi info from Macedonia. She also shared one example of a young entrepreneur who always wanted to help and do something for the social cause. That is why he decided to create a website integrating Chatbot and Blockchain technology to help refugees who come to Austria with any question and concern they have. New technology has helped to provide more accurate answers and also to match job openings with labour demand.

Global Policy Discussions: Remittances Investments and Development

Malin Frankenhäuser, Head, Policy Unit/Directorate for Policy, Research and Strategy at ICMPD mentioned that 1 billion people either send or receive remittances. She provided an overview of key data in 2016: USD 445 billion are sent to developing countries (low and middle-income countries). 55% of transferred remittances goes to Asia and the Pacific, 16% to Latin America and the Caribbean, 13% to Africa, 10% to Europe and 6% to the Near East and the Caucasus. The top recipient countries of recorded remittances: India, China, the Philippines, Mexico, and France. As a share of GDP: Tajikistan (42 per cent), the Kyrgyz Republic (30 per cent), Nepal (29 per cent), Tonga (28 per cent), and Moldova (26 per cent) The good news is that the costs of sending remittances has decreased over the years: while in 2008, you still had to pay in average \$9,81 USD for sending \$200 USD, it is now, in 2017, \$7,45 USD for sending \$200 USD. The cost of remittances is highest in Sub-Saharan Africa and in the Pacific Island countries and the average sum of remittances is USD 200. When looking at migrants' financial needs and behavior, we can see that it is cyclical depending on the person's age and status in the country of residence.



Cross-border remittance is a young industry – around 30 years old. It is only in the past 10 years, that it is being tracked, and with it came the awareness of its importance for development. Much of the policy language regarding remittances from the Financing for Development has flown into the 2030 Agenda. It is the first time that a UN document has clear targets on remittances: 'reducing the average transaction cost of migrant remittances by 2030 to less than 3 per cent of the amount transferred. We will work to ensure that no remittance corridor requires charges higher than 5 per cent by 2030.' The World Bank created the Global Remittances Working Group in 2009 to coordinate the work on remittances at the international level. It manages the Remittances Prices Worldwide database covering 365 country corridors (48 remittance-sending countries and 105 remittance-receiving countries). The 5x5 objective as committed by the G8 and G20 aims to reduce the global average costs of transferring remittances from 10% to 5% in 5 years between 2009 and 2014. Leaders committed once more to reducing remittance costs at the Brisbane Summit in 2014.

Ms. Frankenhäuser singled out two most important challenges which, if solved, could make remittances transfer easier: 1) Fostering financial inclusion: boost the financial inclusion of women as they tend to remit a higher proportion of their income than men. Abolish restrictions of women for their movement and financial inclusion. 2) Derisking is the biggest roadblock: what is needed is to reduce the overly restrictive oversight for small amounts of money. It is more important to manage the risk. Small remittances are not money-laundering, the law on the prevention of money laundering and financing of terrorist activities need to be seen in context.

In order to highlight the potential opportunities arising from policies related to the integration of remittances and diaspora investment into mainstream financial inclusion policies, IFAD is developing an Opportunity Index to guide government policymakers in investing resources to leverage the development impact of remittances. This Opportunity Index would provide national benchmarks and best practices, through an analytical framework organized along four categories: 1. Country reliance on remittances - Draw attention to the importance of remittances for the economy and the population. Measure remittances as a percentage of annual GDP; 2. Costs and competition - Draw attention to the alignment on SDG target 10c and assess market competition dynamics; 3. Regulations and policies - Assess the extent to which risk-based regulations and competitive policies are in place to facilitate competition and innovation among RSPs; 4. Financial inclusion - Assess the gaps between the supply of accessible and affordable remittance and financial services, and the demand from remittance recipients

Opportunities for diaspora investments can be sought by 1) making remittance markets more transparent and leveraging their impact: Regulations need to keep up with technology and create enabling environment; and technology needs to provide solutions to real problems; 2) promoting public-private partnerships; 3) fostering the growth of payment networks (mobile, postal, etc.) which can help to improve market efficiencies. Mobile money is 50% cheaper than alternatives; 4) supporting the introduction of new technologies as the private sector is a key engine of growth and development.

Malin Frankenhäuser then presented the different types of financial services and investments products according to migrants' financial profiles. Because many migrant workers are willing to return home, helping them to build assets for their return is a central development policy objective. It is also an opportunity for the private sector to meet their financial product needs. Those who are financially vulnerable require protection, including

advice, goalsetting, and strategies to build savings and even help with opening a savings' account. Stable migrant workers, on the other hand, need products that help them better accumulate their assets in various types of savings and loan products. Among those in high-income brackets (a minority of migrants), financial needs are related to wealth diversification and social investments in their countries of origin.

Service providers on both sides of remittance corridors lack incentives as the market for investments faces financial regulations that are more complex than those of remittance transfers. Diaspora investment models that allow small amounts to be invested in a secure way have proven to be successful at a small scale. More efforts are needed to collect data, establish benchmarks for specific migrant target groups, and estimate long-term impact.

Ms. Frankenhaeuser concluded her presentation by highlighting the 2018 Global Compact for Migration and related preparatory meeting in New York, July 2017: "Contributions of migrants and diaspora to all dimensions of sustainable development, including remittances and portability of earned benefits". It includes following aspects: 1) Promote, facilitate and monitor migrant investments in line with national development priorities: 1) Establish visa schemes that allow entrepreneurs and investors to work and live in a country while establishing or supporting innovative ventures; 2) Improve support for diaspora to create businesses and facilitate trade, e.g. organize trade fairs on trade regulations and procedures and provide SME training tools, while highlighting the value of the nostalgic markets in migration corridors; 3) Foster financial inclusion and financial literacy 4) Re-evaluate regulations that govern the movement of small sums of money across borders, particularly regulations on de-risking, anti-money laundering and counter-terrorism financing; 5) Support innovative solutions to transfer money across borders, such as mobile money solutions, which facilitate cost reduction, immediate access, diversified deployment, digital money saving options and transparency; 6) Migrants' social remittances, their knowledge and skills transfers, networks, cultural capital, innovation and entrepreneurial spirit, are significant and need appropriate recognition. Although the development contributions of migrants and diasporas go well beyond remittances, the discussion about enabling framework conditions for social remittances, such as knowledge-transfer, transnational networks, entrepreneurship and cultural capital requires further reflection.

Findings of the Link Up! Study on Enabling Diaspora Direct Investments

This part of the forum served to present the preliminary findings from the Link Up! Serbia study, which included amongst other the survey results.



Ms. Valerie Wolff, Project Manager at ICMPD, expressed her gratitude to all the participants at the Forum. She presented the team members and briefly described the project activities so far. She mentioned that next to the desk research, extensive consultations were undertaken that included Serbian government stakeholders, academia, NGO and private sector representatives. The idea was to do a proper mapping and to look into already existing tools rather than inventing new ones to attract the diaspora investments. There are many examples globally of success stories and also failed initiatives, and it is in our interest to see what has worked and in what kind

of setting. The Link Up! study includes the results from an online and offline survey that was disseminated in Serbian and German language, and which exercise was triggered by the Ministry of Economy's interest to learn about 'who the Serbian diaspora are'. Thus, a Serbian diaspora profile is part of the study.

Ms. Vesna Dimitrijevic, editor-in-chief at Dijaspora Media/IDEAPRO, has been tackling the work with and about diaspora for the past 20 years. She stated that the issue of Serbian diaspora has been neglected in the media, although it is important to know them and to build trust which is currently lacking. Media coverage is important for diasporas in the country of origin as well as the country of destination as they can present projects and successful examples that facilitate investments. Talking about the Link Up! survey that lasted from July until September 2017, she mentioned that contacted members of diasporas realized the importance of the survey and the project. The target group of the survey were migrants coming from Serbia that have an interest to start a business in Austria or expand their existing one. The questionnaires were disseminated electronically and in hard copies in clubs, associations and buses. They received 492 responses out of which 398 questionnaires were valid. Although they had the option to complete it in both Serbian and German, most of the respondents chose to do it in Serbian. She added that the Serbian diaspora is well integrated in Austria, but they still get the information from

the media in their mother tongue. Talking about the gender structure of the respondents, she indicated that 57% of the respondents were male and 43% female. The majority of the respondents, up to 42%, were in their forties, 28% in their thirties and 17% in their fifties, while the smallest percentage of the population belong to the oldest portion of the population that is over sixty years old. Also, the majority of diaspora members, some 28% of them, moved to Austria between 1991 and 2000, 23% moved to Austria between 2001 and 2010, while some 12% moved to Austria after 2011. 14% of the respondents were born in Austria and they still nurture their mother tongue and links with Serbia. The survey showed that the perception of diaspora changed as its education level increased. Ms. Dimitrijevic concluded by saying that she hopes that the analysis of the survey will help to reach creative solutions for diaspora investments which will bring Austria and Serbia closer together.

Svetlana Milutinović, Researcher, expressed her gratitude to the participants and the organizers of the Forum and begun her presentation by indicating that we lack detailed data on the Serbian diaspora in Austria. Official statistics mention 140 000 Serbs in Austria, but the real figures are much higher - up to 300 000 persons according to some estimates. Serbs are the fourth biggest group in Austria after Germans, Bosnians and Turks. They predominantly live in Vienna and their education level is low but the picture is improving. Talking about the business environment in Serbia, Ms. Milutinovic mentioned that it has been influenced by the structures from the past, neoliberal policies after the transition period, global crisis and catastrophic floods in 2014 as well as SME policies implemented by the Serbian state. The World Bank Doing Business List 2018 ranks Serbia as the 43rd economy, while the Global Competiveness Report 2017-2018 has placed it on the 78th place. Ms. Milutinovic said that the cooperation with diaspora could be strengthened as the Ministry for Diaspora has been closed in 2012, although offices for diasporas at the local level still exist in some municipalities. She also stressed the importance of Regional Development Agencies. In 2015, the total value of remittances sent from Austria through official channels has been estimated at USD 356 million according to the World Bank, but it can be assumed that these numbers are even higher. As per ICMPD field work in Serbia, she mentioned 25 meetings with Serbian diaspora companies out of which 13 companies are from Austria (10 micro and 3 small enterprises.). The areas that diaspora mostly invest in are tourism, manufacturing and services. The initial source of funding comes predominantly from family savings and only one company mentioned loans. As for their position in the Serbian market, they are often in a better position in comparison to Serbian entrepreneurs and foreign entrepreneurs as they know the local market. 'Their activism is easy to initiate, but difficult to sustain. They can be engaged directly as investors, consultants business investors and their projects start on a small scale but increase gradually', she concluded.

Ms. Valerie Wolff added that only 8% of the respondents to the survey indicated that they know about SME business support institutions in Serbia, which means that information outreach is weak. She also stated that there is a high percentage of people that want to support as mentors or expand their existing businesses. Answering to the question of Mark Kosmo from the Massachusetts Albanian American Society in USA whether the project reaches out to passive investors which are greater in numbers compared to the passive ones, she explained that this is something that has been regulated by the legal framework in Serbia and that they have been looking into other options like municipal bonds but it proved to be complex. Ms. Wolff also invited Ms. Selma Prodanovic who has been responsible for investors' outreach in the Link Up! project.

Ms. Selma Prodanovic, Vice-President, Austrian Angel Investors Association and Board Member of the European Business Angel Network indicated that the trust factor as well as legal security and the (real or perceived) level of corruption are important. The investors know all of this but still decide to invest when they know someone locally there. She mentioned that there are three paths to every investment: investor, local person who knows the local context and communication. Communication is important as investors, including business angels, do not know about existing opportunities as they are not following the market, so they do not know where to go. Referring to Mr. Kosmo's question of passive investors, she mentioned that every active investor brings with her/him additional co-investors who are not actively involved in the work. To her, Serbia as well as BiH present big opportunities with its educated and motivated people, creativity and innovation, but communication is lacking and there is a need for a dynamic angel investor scene in Serbia.

Ms. Bistra Kumbaroska from the Impact Hub Vienna mentioned that every startup from Macedonia that she has spoken to needs in average 20,000-30,000 EUR plus know-how. In the Western Balkans there are very little instruments that cover these gaps, as neither banks nor investment funds step in to cover that. There is a gap of 'small ticket size' funding that can be filled by the diaspora with the proper legislation and used as a proof of success for diaspora engagement. The problem with this, according to Ms. Kumbaroska, is that it is legally complex to make a small investment from USA to Macedonia.

Ms. Lisa Gashi from Germin commented that often politics present itself as an obstacle and that here are sometimes too many agencies and ministries. What is really needed more than money are skilled people,

databases about diaspora as well as one-stop-shops. The key is not to have big expectations but to target small scale investments. It is about managing expectations.

Global Reach with Local Needs: Business Opportunities and Challenges

Mr. Tamer Kilic, Regional Coordinator for Western Balkans and Turkey presented the topic of this panel as well as the speakers from Albania, Bosnia and Herzegovina, and Kosovo* who shared their experiences regarding diaspora engagement in their respective countries.



His Excellency Mr. Ronald Bimo Albanian Ambassador to Austria began by presenting the data on Albanian diaspora and the volume of remittances they send to their home country. Data from the UN shows that at the end of 2015, 1.2 million Albanians born in Albania live abroad, which is 40% of the population and they are sending huge amount of remittances back. The amount sent back reached their peak in 2007 when it approached close to one billion euros. In 2015, remittances totaled six hundred million which stands at about 70 % to the FDI in Albania. The focus now is to manage the change from remittances to investments. There is recognition on the part of the government to

allow for better political representation of diasporas, create a better business climate and to ensure a good return on investments. 'Another experience tells us that much patience and long-term vision is needed to stay the course and large expectations produce deep disappointment on both sides. The problems that we have encountered point to overburdened bureaucratic procedures, lack of guarantee for investments, and the need to increase trust', he posits. Mentioning brain drain programs that they have implemented in the past, Mr. Bimo explained that it was not very successful. Since then, they have approved the political document on the commitment of Albanian communities abroad with the International Office for Migration. They also established a Consultative Council of the Albanian Communities abroad and the National Agency for Coordination with Albanian communities abroad. Recognizing the role of diaspora for social and economic development of their country, the new government of Albania has established the post of Minister of State for Diaspora. To involve diasporas in the formulation of the social and economic development of the country, Prime Minister Edi Rama initiated a yearly Diaspora Summit that started in 2016. The summit helped to move things forward. In conclusion, he remarked that there is a need to have a regional periodical dialogue to learn from each other and to exchange views. The ambassador also mentioned that they are in contact with Albanian Businesses in Austria which includes around 80 small and medium businesses and big business network. They try to mobilize them for investments and to utilize their networking potential.

Ms. Isma Stanic, the Head of Unit for Economic, Educational, Scientific and Cultural Cooperation with Diaspora within the Ministry of Human Rights and Refugees of Bosnia and Herzegovina (BiH) pointed out that BiH has two million diaspora members living abroad which is 50% of the total population, not counting the second and the third generation. The yearly level of remittances is between 10 and 15% of GDP while savings is four times higher than remittances themselves. According to two researches, one from 2009 and another from 2014, only 6% of Bosnian diaspora actually invested in BiH, 32% were invested in their new home countries. The good thing is that around 30% said that they would like to invest in Bosnia and Herzegovina. The investments mainly had to do with real estate, commerce, agriculture, tourism. There is interest in the energy sector, metal industry, kettle breeding. Diaspora in the Western part of Bosnia and Herzegovina is particularly active. However, the biggest obstacles are lack of information, business contacts and co-financing, bureaucracy and administration etc. The diaspora from BiH are highly educated and qualified people who mainly live in Scandinavian countries and the United States of America. As for the institutional framework, the Ministry of Human Rights and Refugees of Bosnia and Herzegovina and the Ministry of Foreign Affairs have the mandate to deal with diasporas. On cantonal and local level there are no institutions that directly cover diaspora. BiH currently lacks a Law on Diaspora, but they have two strategic framework documents, incl. the Strategy in the Area of Migrations and Asylum in Bosnia and Herzegovina. The Ministry was included in drafting this strategy and the segment related to diaspora covered emigration and asylum. One thing that is important about diaspora engagement and that is that it is a cross-cutting issue. They also recognize how important local communities are for diaspora. Diaspora is linked to the country of origin and when people invest, then they invest in their cities and their villages. Starting with this idea

they formulated a Framework Policy on Cooperation with Diaspora, which was adopted in April 2017 after consultations with relevant government stakeholders. The Policy has three strategic objectives: 1) Development of the legal system and institutional capacities; 2) Providing support to diaspora and improvement of cooperation; 3) Creating conditions for a greater contribution of diaspora to the development of BiH. The ministry is also formulating the modules for this strategy that would cover the documents on diaspora direct investments. Ms. Stanic also mentioned their five-year project *Diaspora for development with IOM, UNDP and the Swiss Embassy*. The first component is about strengthening the capacities of the state and entity ministries. The second component of the project aims to strengthen the capacities of municipalities to offer higher quality services or to get connected with migrants, include diaspora in local development strategies etc. The third component is related to diaspora know how and direct investments, and how to link investors from the diaspora and the private sector to BiH.

Mr. Kushtrim Sheremeti, from the Ministry for Diaspora Affairs Kosovo* elaborated on Kosovo's institutional and legal setup. They have put in place a Law on Diaspora which is currently being revised and also a five-year strategy for Diaspora. The Ministry for Diaspora Affairs has been operating in its third consecutive term. However, they work with other ministries on diaspora issues as well, as it is a cross-cutting issue. Beside the programs that focus on the exchange of know-how, the Ministry, together with UNDP and IOM implemented the DEED project. One of the results of the project was the creation of Albanian business networks in diaspora as well as professional networks. Diaspora representatives from these business networks were included in the National Committee for Economic Development created by the Government of Kosovo* and they have a saying in policy development in that area. Mr. Sheremeti ended by saying that diaspora should not be seen only in terms of money and that is why it is important to have mixed investments. In 2016, diaspora spent around 700 million EUR. According to the Central Bank, diaspora spend around 600 million EUR during the summer season. Diaspora direct investment are said to be around 200 million EUR. They have started a matching grants program with DEED in agriculture and ITC. All in all, diaspora is of huge importance to Kosovo's economy and especially for its trade balance which is currently more in favor of imports. Ms. Sheremeti also mentioned the cooperation with Albania on this issue which will probably continue in the future as well. Answering the question of Ms. Tanja Dedovic from IOM about the American-Albanian fund, Mr. Ardian Spahiu added that the fund has been launched and has accumulated about 300 million dollars' worth of development funding. They have developed their work with the country, the government, the private sector and with social entrepreneurs, which is a great example of not only public-private partnership but also of a social initiative, and that is something that needs to be explored.

Panel 'Entrepreneurship and Investments: Mobilising and Engaging Diasporas'

The panel consisted of three experts from International and Non-Governmental Organizations: USAID, UNDP, Macedonia 2025 and GIZ working on projects from the region related to diaspora engagement and diaspora direct investments. The panelists presented their projects and the instruments and measures implemented under the project activities that aim to attract diaspora investments in their home countries. The panel was chaired by Ms. Valerie Wolff and ended with discussions and questions from the participants of the forum.

Ms. Milica Rebic, the Coordinator for migration and diaspora cooperation at GIZ Serbia, presented the global program of the German Development Cooperation commissioned by the German Federal Ministry for Economic Cooperation and Development and run by the Center for International Migration and Development that is being implemented in 25 countries worldwide, including Serbia as of 2016. The Center for Migration and Development is a joint operation of GIZ and the German Federal Employment agency. The aim of the program is to strengthen the exchange of knowledge between Germany and other partner countries through migrants which they support to make development relevant changes in their countries of origin and to also improve general conditions for legal migration. They also undertook a qualitative analysis of Serbian diaspora in Germany with the goal to find out more about their origins and the organizational level of Serbian diaspora. The results of the analysis show that Germany is the top destination country for Serbian professionals after USA. They also mapped Serbian diaspora organizations listing more than 400 organizations in the areas like sports, culture, charity work etc., but the study also showed that most of the Serbian diaspora is not organized within these associations and is not interested in returning permanently to Serbia. Furthermore, the study reveals that more work needs to be done in terms of outreach and communication and the promotion of exchange programs in the Serbian language. Within the program, they have envisaged three instruments targeting three different groups within the Serbian community in Germany. The first one aims at Serbians who are well integrated but who want to give the contribution to the country of origin. For this group, the program offers support for short-term engagements in Serbia from three week to six months on a voluntary basis. They match them with organizations and hosting institutions in Serbia and also provide logistical support for this engagement. This instrument covers several areas like energy efficiency, democracy, civil society etc. The second instrument is targeted towards migrant organizations in Serbia

and their local nonprofit partners in Serbia. The goal is that their organizations give support to their partners in Serbia, in order to build their capacities to respond to annual tenders and to get funding for small scale projects. The aim of this project is to directly improve the living conditions of people in Serbia. The third instrument is a website called Geldtransfer which provides an overview of money being sent from Germany to twenty countries abroad, including Serbia. It compares the costs of transfer, exchange rates and it shows where you can send and pick up money, how long it takes etc. It is free, independent and updated every two months. Ms. Rebic also mentioned an additional two instruments that they implement. The first one consists of services like consulting, professional orientation, networking and training for returning Serbian professionals and experts who want to study and work or have studied or worked abroad or both and want to return to Serbia to pursue their career. The last instrument, called Business Ideas for Development currently does not fall into the spectrum of activities in Serbia, but it supports migrants in coming back to their countries of origin or to set up transnational businesses. It is active in five countries: Tunisia, Ghana, Georgia and Morocco.

Mr. Sanjin Arifagic, who works on the project *Harnessing BiH Diaspora for Economic Development Activity* within USAID talked about the main activities envisaged under the project. It is a five-year project. The Bosnian diaspora is large: 2 million people, which is around half of the population of their home country. As Ms. Arifagic noted, this diaspora is quite heterogenous in terms of ethnicity, education and economic profile. Statistical data from 2016 show how much the economy of BiH depends on its diaspora as the level of remittances sent back in 2016 reached 30% of their GDP, which means that for each dollar of FDI they receive 5 dollars from the diaspora. The biggest challenge is to see how to put these remittances to productive use. The project they are working on has three components. The first component envisages the leveraging of diaspora inputs, supporting advocacy efforts of diaspora and also assisting government to create a coherent investment strategy for diaspora. They are hoping to partner up with the Ministry of Human Rights and Refugees, the Council of BiH as well as other agencies. The second component is the heart of the project as it uses grants and technical assistance for (potential) investors. They have opened up the first call for grants, inviting all potential diaspora investments to apply. The grants are structured as matching grants and USAID is co-funding it together with the project sponsors. In addition to this, they are providing hands-on technical assistance to diaspora investors, which are focused on six sectors like agriculture ICT etc. The third component supports the building of sustainable local platforms to facilitate diaspora investment and they are working with two local NGOs that have been working with diaspora for some time. Ms. Arifagic mentioned that they also want to set up a one-stop-shop diaspora business center to host people that are coming and provide them with networking, scoping and other services. The other tool which is being used under this component is an online platform that helps to network and match companies with experts and mentors etc. **Ms. Dobrila Vukmanovic** from USAID also mentioned additional activities under the project. One of the major impediments for diaspora investments was limited access to finance and that is why they partnered with SIDA, Swedish Agency, and they have signed a credit guarantee scheme with Nova Banka in Banja Luka, BiH, to pool 10 million dollars into loans with favorable interest rates and no requirements in terms of mortgage.



Mr. Ardian Spahiu, Project Manager at UNDP Kosovo, talked about the DEED project which is based on Kosovo's remittance study undertaken in 2011 together with IOM. Right after the establishment of the Ministry for Diaspora in 2012, they launched the project to engage diaspora, which is big in numbers and holds a great potential. Another remittance study was done in 2012 with the Kosovo Statistical Agency. The basis of the study were the interviews with some 8,000 remittance receiving households of different ethnicities. The study has shown that some 700 million EUR enters Kosovo* every year. With remittances sent through MoneyGram and Western Union, the figures go up to 1,5 billion annually. Because of Kosovo's weak trade balance, 96% of this money goes out and the rest is invested mostly in real estate. Based on the findings from this study and with the assistance of the Finish Government, an initiative was started and the second phase of the project will kick off in December. The project has three components and the strategy with 4 pillars was developed in 2013 with the Ministry and involving NGOs, diaspora organizations of every type and between all government structures. An action plan, law and diaspora online registry with 500 000 people registered users followed. They have developed investment models based on three months of work in the USA and Europe. It consisted of focus groups made of 900 entrepreneurs and other diaspora members. Ms. Spahiu mentioned several models they came up with: to improve the business environment, facilitate development impact of remittances through matching grants and banking products that were accepted by the banks, including zero tax for remittances. They also

introduced Municipal Diaspora Liaison Officers in each municipality available for diaspora at any time and law on foreign investments that includes diaspora as well. They also reached out to diaspora and established diaspora networks in the USA and Europe, and founded the Business Union Coordination Centre in Pristina. Kosovo's diaspora is also heterogeneous and divided along ethnical lines, and they had to work hard on bringing them together and to accumulate capital for joint ventures in their community of origin. Mr. Spahiu added that they have spent 100,000 EUR on grant schemes and 200,000 EUR on small grant schemes for micro and family businesses. 78 businesses have benefited from these schemes and 105 new people have been hired. It was envisaged to also issue municipal bonds but the legislation needed to introduce them was too specific and too complex, and so it could not be offered at that time. Under the second component they introduced a business park that offers electricity nonstop. The third component was to launch a diaspora investment fund which was alive for two years before the Kosovo* Government dropped it because of political reasons. As Ms. Spahiu noted, they did not want to facilitate it anymore and could not keep it forever, and that was the only component that could have been done differently.

Mr. Brendan Filipovski, from Macedonia 2025 mentioned that his organisation was founded in 2007 with the vision to build a bridge between the government and diasporas. The Macedonian president at the time was trying to use his contacts with influential and successful diaspora members abroad to attract more investments to Macedonia. Some of them enjoyed making a difference in Macedonia and that is how Macedonia 2025 was created. Mr. Filipovski mentioned that they had a recent change in the government and that they are happy with and pleased to attend this forum with the current Minister for Diaspora Affairs, Mr. Ademi. Their board members come from the diaspora and they have many contacts that can be leveraged for FDI and for mentoring. They also have a Forum for the transfer of knowledge that has been going on for six years and that focuses on a particular topic each year. The forum brings together people to network and exchange experiences from both Macedonia and the region, including diaspora members and government representatives in order to tackle individual and structural problems related to investments. Macedonia 2025 also started a small SEEF fund three years ago as a vehicle to invest into companies in Macedonia. The fund kicked off in 2014 as a joint program with USAID which guarantees 50% of the funds, and which is open to both big and small investors. In the end, they found out that they did not raise that much money from smaller diaspora investments as most of the money came from bigger investors and which totaled up to 2,8 million and 4 million EUR last year. It makes around 4% of return annually, which is also a target. The fund has SEEF staff on ground that looks for potential businesses and helps them through the scaling process. They also have programs for upcoming entrepreneurs to help them with their business models. One of their initiatives is a diaspora round table that brings together both diaspora members and government representatives. They used the setting of the round table to conduct a small survey and identify the main issues for diaspora investments. 77% of the people they surveyed stated that they would recommend Macedonia as a good place to invest because of low labor costs, employment opportunities for friends and family, lifestyle, patriotic reasons etc. In terms of measures that had to be implemented to attract more investments, they indicated that the most important thing is more networking events, reduce the level of corruption and improve the economic and business environment.

The panel was followed by discussions on whether diaspora investors should be granted more privileges compared to FDIs or not. Mr. Brendan Filipovski thinks that it is ok to treat them differently, because when things get tough, they are more resilient since they have a different level of commitment to the country. Mr. Spahiu noted that matching grants can be an additional bonus that can be offered to diaspora. In case of partnership between FDI and DDI, some additional incentives, for example tax incentives, should be offered. Mr. Arifagic explained that additional incentives for diaspora investors can distort the market, so he thinks that there must be equal conditions for all investors. However, it is important to differentiate between policy and specific measures. Everyone should be equal in terms of policy, but specific instruments can be designed on a case-by-case basis according to Mr. Arifagic. Mr. Mario Mihajlov from the Macedonian Ministry for Diaspora Affairs stated that DDI are special as diaspora brings money back to its country and they also play a role as their country's ambassadors which can attract additional FDI.

Ms. Lisa Gashi raised the issue between government and private sector relations as too much government involvement can actually demotivate diaspora to invest back in the country and decrease the level of trust. She also mentioned that corruption as an obstacle is overrated as it is sometimes based on subjective perception and does not always reflect reality. Mr. Ardian Spahiu agrees that corruption is always based on perceptions and added that when diaspora investors come to the country, they often rely on their personal contacts and connections instead of going to the institutions that can help them. Government need to do more awareness raising and promote their tools in order to attract more diaspora investments, according to Mr. Spahiu.

Closing remarks



Closing remarks were provided by **Mr. Lukas Gehrke**, the Director of Policy, Research and Strategy Directorate within ICMPD. Mr. Gehrke expressed his gratitude to all the participants, ICMPD organisational team, Senate of Economy and to the Austrian Development Agency for having made this event possible. This forum was about creating meaningful, new connections and friendships that will last beyond this day. We are now talking about how to better mediate money flows into the economy by thinking of financial intermediation and all the possibilities to make access to finance more widely available, and in that connection, of measures and partnerships to increase financial literacy. We have heard that it is not just

about setting ad-hoc measures, but something that needs to be nurtured over time and that is rooted in an enabling business ecosystem. And building trust with the diaspora is often named as the key elements for a successful diaspora engagement policy. ICMPD is excited about continuing the Link Up! project in Serbia and looks forward to organising a similar meeting in 3 years' time to take stock, continue the peer-to-peer exchanges and do our share in furthering these important discussions.



DAY 2 Workshop: Entrepreneurship in Serbia: Opportunities and Challenges for Diaspora Engagement

Welcome remarks

Ms Valerie Wolff opened the workshop by welcoming participants and giving a brief overview of the Link Up! Serbia project, the study and the analysis of the survey. She then gave the floor to His Excellency Ambassador of the Republic of Serbia, Mr. Pero Jankovic.

His Excellency Mr. Ambassador of the Republic of Serbia, **Mr. Pero Jankovic** expressed his gratitude to ICMPD, the Austrian Chamber of Commerce and Austrian Development Agency. He mentioned that the topic of remittances and diaspora engagement has been present in Serbia over the past 30 years, especially during the '90s.

He expressed hope that this workshop would help in finding solutions to this issue, which would be extremely important for the economy, because at this moment, next to foreign investments, investments from diaspora are needed and we must find a way to realize them. The Ambassador suggested that the solution for this challenge

can and should be found within the triangle state-diaspora-banks with the local level being of special importance for the project's objectives.



Mr. Konstantin Bekos, the Regional Manager for South-Eastern Europe at the Austrian Chamber of Commerce, welcomed the participants and mentioned that the relations between Austria and Serbia are excellent. He emphasized that they are very proud to have such an active and strong diaspora from Serbia here in Vienna, Austria, which contributes to the economic development of Austria. Vienna was always been the place to meet and mingle with different cultures, Western European, Eastern European, Southern European cultures and the city has always benefited from that. With 118,500 members, the Serb minority is second in terms of foreigners here in Austria and it is a very active and strong community.

Ms. Valerie Wolff presented some key figures about the Serbian diaspora in Austria: about 800,000 people in Serbia receive money from abroad. In 2016, according to World Bank data, 2,7 billion euros have been sent back to Serbia. Many people also say: 'I want my family to be able to sustain themselves in order to not have to send money back.' Many of the diaspora are interested also in saving money in their country of destination, as international studies show. And only a small percentage goes into supporting families. There are interesting models that are being piloted in different countries, showing ways of how remittances can be used productively. The aim of this workshop is to get recommendations from the Serbian diaspora and the Serbian institutions for the second phase of the project. In the end, Ms. Wolff expressed her gratitude to the Erste Bank. They have set up interesting initiatives to support many early-stage businesses and start-ups that otherwise would have a hard time in getting access to finance. We need to hear more of these success stories about people who contribute to their communities with business and in other ways. She then showed a short video with one of the success stories from Serbia.

Key Message



Mr. Borislav Kapetanovic, the President of the Umbrella Organisation of Serb Associations in Vienna greeted the participants and stated that the role of clubs and associations in Austria is huge. There are those clubs that provide services and information about employment, real estate, culture etc. They became an important factor in integrating Serbs in Austria. At time, these clubs also played an important role in preserving the Serbian national identity and helped the Serbian diaspora to establish economic connections. They were part of the working group that drafted the Law on Diaspora which is still valid and also lobbied for the establishment of the Ministry for Diaspora. Mr. Kapetanovic then went on to say that 180,000 Serbs live in Vienna alone. The Umbrella Organisation of Serb Associations in Vienna have recognised the need to help entrepreneurs, and at the same time, they are aware that many do not use those services that are already being offered by Austrian institutions. That is why they conducted a survey in cooperation with the Chamber of Commerce in Vienna to gather all the information about this people and to find out how to help them. The survey showed that there are 300 companies and 8,000 people in Vienna who have their own small and medium-sized business. Three years ago they launched an initiative and they established the Club of Serbian entrepreneurs. The first goal of the club was to connect Serbian entrepreneurs in Austria with companies in Serbia. This club did not work as it should have, their target was SMEs, but the results of investments were weak and the reason can be found both within the diaspora and the Serbian state. Austrian companies hesitate to invest in Serbia mostly because of bad experiences, political instability, bureaucracy, corruption and the loss of VAT. At the end of his speech, Mr. Kapetanovic noted that their cooperation with the Serbian Chamber of Commerce is better than before and access to information has improved, but it is still not at the level as it should be. In spite of all these difficulties, the Serbian diaspora is still willing to help the Serbian economy and to motivate people to invest in Serbia. Against that background, they welcomed their future cooperation.

Short presentations by business support institutions and diaspora engagement organizations

This part of the workshop was envisaged as series of short presentations by several business support institutions from Serbia and organizations active in the field of diaspora engagement and investments. Each institution/organization had 3 minutes to present their work and activities and explain how this can be relevant for the second phase of the project.

Ms. Sanja Popovic, Head of Legal Department from the Serbian Development Agency (RAS), began her presentation by explaining how RAS was created by merging the former Agency for Foreign Investments and Promotion of Export (SIEPA) and the National Agency for Regional Development (NAR). It was founded under the Law on Foreign Direct Investments in 2016 and was envisaged as a government institution that promotes investments by providing assistance to potential investors and matching domestic and foreign investors with suppliers to attract investments and spur the regional economic development of Serbia. RAS has databases of locations for greenfield and brownfield investments as well as a database of suppliers. Thanks to the cooperation with Regional Development Agencies (RDA) and Offices for Local Economic Development (LED) they have implemented a large number of projects like programs for supporting exporting companies, opening new jobs, supporting programs for entrepreneurs to start their own businesses. She mentioned that some of these projects also included diaspora members.

Ms. Dragica Gavric, President of the Office for Diaspora in Loznica, a public body within the system of local self-government, is working as a volunteer with diaspora, trying to engage them and deepen their relations with Serbia. Ms. Gavric talked about the city of Loznica which, thanks to its favorable geographic position and well developed industrial zone, offers numerous investment opportunities for foreign and diaspora investors, mostly in the tourism sector.

Ms. Natasa Djordjevic, Assistant Director from RDA Sumadija and Pomoravlje, explained that their agency was created 15 years ago. It was founded as an Agency for SMEs Development and was transformed to RDA in 2007 covering 13 municipalities which are their founders. As a public body, they are focused on the development of SMEs, human resources, infrastructure and strategic planning. They have been most successful in SMEs development as they have supported 2000 SMEs that created 5000 jobs. They are currently covering 20 000 business entities. Ms. Djordjevic mentioned that all RDAs are members of the Serbian Association of RDAs which is important because RDAs are private-public partnership entities. They see themselves as a bridge between the regional, national and local level but they did not have much experience with diaspora so far, although they recently signed a memorandum of understanding with the Serbian Association in Sweden which could be fruitful in the future in terms of diaspora engagement.

Ms. Nada Kokot, Director of RDA Branicevo Podunavlje, explained that her agency covers two districts within the region. They have been founded in 2009 by the cities of Smederevo and Pozarevac and have been active in the development of micro-, small- and medium-sized enterprises. They provide trainings, consulting services and do promotions, which has contributed to the creation of around 1600 businesses. Since their establishment in 2009 20 million EUR have been invested in the region.

Ms. Sladjana Grujic, Secretary of the Committee for Economic Development talked about the activities of the Standing Conference of Towns and Municipalities. This institution is a National Association of Local Authorities founded in 1953 and every municipality in Serbia is their member. Their most important activities include advocacy for the interest of municipalities, including lobbying for the adoption of strategic and legislative documents, but they haven't had much experience with diaspora so far. They provide training courses and counseling services, and they have an Advisory Center that is mostly active in the areas of finance, procedures etc. They have provided over 500 trainings to 5000 public officials and have a very active international cooperation with the EU Committee of the Regions and the Congress of Local Self Government and Regions among others. This association has been part of the negotiation groups with the EU in the areas of regional policy, public procurements and environmental protection. The most important part of their activities are projects in the field of institutional support and environmental protection as they are mostly financed through projects and membership fees. Through the project implementation, they aspire to build capacities for local self-government and make it easier for them to implement their activities within their scope.

Ms. Snezana Radinovic, Director of the Regional Agency for Development and European integration in Belgrade mentioned that business support systems already exist in Serbia and that diaspora has this mechanism of support at its disposal as much as any other investor would have. She believes that it is very important to network and deepen the communication with diaspora so that they have the chance to access all the necessary information and utilize the support system for investments. Their RDA has the same competences as other RDAs and they mostly support SMEs development by providing aspiring entrepreneurs with all the necessary information so that they can start their business like training courses, assistance to start-ups, information on loans and grants etc. They are also the part of EU negotiation process mostly in the area of regional policy. Her conclusion is that business support systems in Serbia are sufficient, and that they have to be used in a proper way.



Mr. Ivan Rakonjac, is Director of the Innovation Fund. The Innovation Fund is a public institution founded under the Law on Innovative Activity that is financed through the Budget of the Republic of Serbia and through IPA funds. The fund operates under the auspice of the Ministry of Education, Science and Technology and they provide grants in those stages of company's development where the risk is too high and the investors hesitate to put in their money. The fund has 4 programs and the first program distributes grants in the amount of 80,000 EUR to companies not older than three years. The second program

provides financial support to innovative SMEs of up to 300 000 EUR. The third program also provides grants in the amount of 300,000 EUR to consortiums of Serbian SME and research institutes, and the fourth program is envisaged as a support to scientific Institutes only. They have an independent impartial commission in place that consists of five members who evaluate the proposals. Several returnees and companies from diaspora have received such financial support. They have financed 52 projects, out of which 38 were startups that have contributed to the creation of 400 jobs. Mr. Rakonjac thinks that it is not possible to involve diaspora without the state and the banks.

Mr. Boban Kostandinovic, Project Manager RDA Eastern Serbia covers two districts and they have the largest community of 30,000 persons who live in Austria. The region borders the EU which is a strategic advantage that diaspora can tap into. The region of Eastern Serbia covers around 8% of Serbia's territory with eight municipalities from Bor and Zajecar district. They have been engaging diaspora actively since 2013 and have organized two presentations in Vienna with Mr. Borislav Kapetanovic, and they will have another presentation one day after this meeting. As part of their activities with diaspora, RDA Eastern Serbia has organized meetings, as well as guides for diaspora to facilitate business creations. Ten diaspora returnees are using their services on a regular basis and five diaspora entrepreneurs have visited fairs with their representatives. The RDA Eastern Serbia has also organized business forums with around 50 diaspora representatives, representatives from local self-government and participants from ICMPD. They have good communication and networks with diaspora that they use to present investment opportunities in Eastern Serbia.

Ms. Natasa Cirovic comes from the Business Technology Incubator of Technical Faculties Belgrade BITF, which has established the Science Technology Park Belgrade STP, founded by the Serbian Government, the City of Belgrade and University of Belgrade, with the support of the Swiss Government. They are about to establish another incubator in the city of Nis based on the BITF model. The STP Belgrade hosts around 56 companies out of which two thirds are startups. Thirteen companies were established by the returnees from abroad. The STP Belgrade cooperates with the University of Belgrade and offers soft-landing programs by providing all the necessary information about the legal framework and the establishment of companies in Serbia. They also provide a network of young experts and professionals and support Serbian companies that want to expand their business to foreign markets.

Ms. Tatjana Volarev comes from the National association for Local Economic Development (NALED), which is the biggest public-private association that brings together local self-government, companies and NGOs. It is the only organization in the region based on this concept. It has over 300 members. They aim to implement reforms that are important for all three sectors at both national and local level. Their most important program that has grown to become a regional initiative is a business certification programme. Under this programme, NALED works closely with local self-governments on improving the local business environment and fulfilling certain criteria that each of them needs to meet in order to be considered as a business-friendly environment for all investors, including diaspora as well. All of their recommendations to improve the business environment are put together in their annual grey book. In the future, diaspora could be included to identify some of the obstacles that prevent investment at the local level.

Zvezdana Crnogorac, is the CEO of Via Academica, a consulting organization active in the area of education established with the assistance of the Serbian Government. Their primary activity is to provide academic and career guidance which they implement by helping young people to choose their studies and career paths. Their founders are ex-students that have left the country to study but who have come back to work in Serbia. Their main goal is to turn brain drain to brain gain by helping them to go abroad and study and return to their country of origin to help their communities once they graduate.

Presentation of the results of the study and main recommended measures

Ms. Svetlana Milutinovic, ICMPD Researcher started the session by indicating that in 2015, the total value of remittances sent to Serbia from Austria through official channels was estimated to be USD 356 million according to the World Bank. According to the survey conducted in the framework of the Link Up! study, the motivation of Serbs living in Austria to invest in Serbia is mostly of psychological nature. The first three reasons are the desire to contribute to the economic development of Serbia, return to family and friends, nostalgia and patriotism, and only then economic motives come into play, such as good conditions for doing business, quality of life in Serbia and better access to Serbian market. Ms. Milutinovic stressed that only 8,65% of respondents knew about institutions that support SMEs in Serbia. Almost 20% of respondents have their own businesses. The most attractive sectors for investments are agriculture, forestry, tourism, trade and construction, gastronomy, recycling, education and consulting. In terms of financial support needed to start or expand business in Serbia, 26% respondents indicated that they would need between 20,000 and 50,000 EUR, 24% would need between 50,000 and 100,000 EUR and 17,5% would need between 10,000 to 20,000 EUR. Almost 20% of the ICMPD respondents have their own businesses.



Ms. Svetlana Milutinovic.

Ms. Valerie Wolff announced that the Austrian Development Agency expressed their readiness to support diaspora engagement and investment in the private sector in Serbia and stressed that this is the opportunity for all the participants to design the second phase of the project. So far, over 80 interviews have been conducted in Serbia with various stakeholders, mostly from the government. In each of these meetings, the question was asked 'what measure could help them deliver better results' and how diaspora could play a role. The 12 key recommendations from these interviews have been collected and will be presented now by

Ms. Milutinovic mentioned that following recommendations could form part of the second phase of Link Up! Serbia project, but it is not purely restricted to these and participants are invited to bring in additional or more recommendations.

As follows the recommendations collected so far as part of the Link Up! assessment and interviews with over 80 stakeholders:

In the area of **direct support to startup/businesses in Serbia:**

- 1) Support to the internationalization of Serbian SMEs/startups (grants for participating at fairs, festivals, organized study trips with both startups and (diaspora) business angels to Silicon Valley or other startup hubs;
- 2) "Mentoring/coaching vouchers": startups receive a voucher to get support from a selected list of experienced entrepreneurs from Austria or from Serbia OR both (e.g. through already existing database);
- 3) Organization of startup competitions and trips to Austria (to allow them to pitch, etc);
- 4) Expand access to matching grants or micro-loans to fund small-scale projects/businesses (e.g. through RDAs).

In the area of **support the work of existing Serbian institutions/ investment framework:**

- 5) Awareness building campaign in cooperation with major media: role models (success stories of both entrepreneurs and angel investors);
- 6) Outreach and Communication: conferences, meetings, study trips for Serbian institutions - disseminate information/exchange experiences, incl. information from Serbian support institutions in Austria;
- 7) Matching investment potential in Austria (business ideas) with municipalities (= investment promotion) in specific sectors, e.g. tourism or other, through an online matchmaking platform;
- 8) Set up a Diaspora Fund at municipal level, a sort of joint investment facility;
- 9) Establish an ambassador program or economic brokers through Serbians abroad supporting exports, linking and networking;
- 10) Establish a Regional Credit Guarantee Scheme;
- 11) Support the founding and funding of a Diaspora Business Angel Network in Austria, incl. financing a series of events organized by existing player with "big" names/ internationally experienced business angels to share their experience (as an efficient tool to build the business angel community) and visits to Serbia, and
- 12) Establishing a certification program for municipalities with good performances re. their diaspora economic engagement.

Group discussions

Participants of the workshop formed five groups which were discussing the main recommendations that should facilitate diaspora investments to Serbia. Discussions within the group were followed by their respective presentations of the measures that could be implemented in the second phase of the project.



Working group 1

This group merged recommendations five and six presented by ICMPD referring to media, outreach and communication. Practice has shown that diaspora clubs are not recognized as a place for business-related communication. As the vast majority remains uninformed, the media centre would enable persons from Serbia who are engaged in entrepreneurship to reach out to diaspora and inform them about opportunities. The second measure refers to recommendation number eight. The difference is being made

between returnees and diaspora as it discredits those who do not want to return and this creates a negative picture. In addition to this, better care should be put into financial support. If these people are willing to invest the money they have earned and their savings, then the state should help them and support them, and these people should have access to these funds. They also merged points four and seven as the group believes that there is an insufficient access to matching grants and micro-loans. Local self-government cannot provide micro-loans in our country and grants are not sufficient or there are no grants at all. The funds are insufficient for bigger projects. The approach must be broadened and there must be more opportunities available to the interested parties so that they could invest in bigger projects.

Thus, this group decided that following recommendations are the most important:

- Recommendations 5-6: Media communication and outreach, create a business media centre, organize annual conferences, improve access to information
- Recommendations 4-7 Insufficient access to microloans and matching grants, expand the access for smaller projects, enable matching grants at the local level

Working group 2

Representatives from the second group believe that flagging best practices regarding diaspora investment would significantly raise awareness within the diaspora community in Austria. They need to have all the relevant information about access to finance, mentoring, etc. They also propose to establish brokering, networking in circles, communities and generally in the countries and among diaspora. They also mentioned the Go International! Project implemented by the Austrian Chamber of Commerce as a successful example for Serbia. There are a lot of innovative companies in Serbia, but they do not have the opportunity to place those products outside of Serbia, so Go International! could help them in this regard.

- Recommendations 5 and 6: Media promotion, awareness raising, flagging best cases, outreach and communication, exchange of experiences and information access;
- Recommendations 1, 2, 3, 4: 1) Go International! for Serbia 2) Networking, 3) Matching grants 4) Micro-financing.

Working group 3

The main point of this group was to support companies from Serbia to participate in fairs and presentations abroad. It is very important to not only support companies from Serbia to go abroad, but also vice versa. Media should be more active in terms of presenting success stories and there is a need to simplify the terminology as concepts and terms like 'Business Angels' and 'Silicon Valley' might be new to diaspora investors.

- Recommendation 1: Diaspora and Serbian companies should receive support to join forces and participate together at fairs;
- Recommendation 5: 1) Presenting success stories of people doing business in Serbia and vice versa; 2) Simplify the terminology like 'Business Angels' and 'Silicon Valley' and especially start-ups and start-up package.

Working group 4

This group stressed the importance of real life stories that convey the message of success, but at the same time it should also show all the hardships entrepreneurs have to go through in order to become successful. These success stories must portray real-life experiences and what they are doing in practice. The second measure they have chosen is the Start-up competition and the key word is 'filtering' by the diaspora. Diaspora needs to filter start-ups according to their interest and their potential start-up support. Also, it is crucial to provide non-financial support like mentoring, besides providing access to finance. The third measure is significant in the sense that the diaspora will say what it finds important to invest in. Diaspora should be able to do pilots in municipalities, and if it is not possible, to prepare a framework for investing instead in accordance to what diaspora thinks would be useful. Furthermore, by points 1 and 2, diaspora teams should define certification indicators for the certification programs for municipalities.

- Recommendation 3: 1) Diaspora define the access to investment competitions for start-ups and organize it by sectors 2) Provide non-financial support to diaspora entrepreneurs such as mentoring
- Recommendation 12: 1) Teams made of diaspora experts should suggest certification indicators for the certification programs for municipalities. Pilot municipalities should be chosen on the basis of diaspora inputs and the municipalities should provide a framework and capacities. The certification program should be based on these two things.

Working group 5

The media is extremely important and they should provide information on numerous things. There are many success stories, but what is also important is to present them in the media so that people can realize where mistakes are being made. People either have the idea to produce something, but they do not have the resources or people have the resources, but they have no idea what to do with it. It is very important that they go out to the fair, to see what they have and what they could do. Matchmaking can be supported between Serbia and Austrian companies that have the same product line. Grants are also important because people often do not have capital, they have a great idea, but they lack some capital to take the next step.

- Recommendation 4: Provide grants for SMEs through RDAs
- Recommendation 5 and 6: Importance of media: 1) Awareness raising of the home country entrepreneurs 2) Increasing the visibility of diplomatic and consular representatives in diaspora and Serbia 3) Educational programs and realistic representation of success stories 4) 'Wise man board' made of trustworthy people that would serve as ambassadors 5) Mobilization of resources from non-entrepreneurs through crowd-funding, investment funds and joint-stock companies with leading professional investors.

Formal Closing

Mr. Gunter Schall, Head of Private Sector and Development provided closing remarks. He stressed that Migration has become an important topic for the Austrian Development Agency (ADA) in the past couple of years. It is not just about enabling irregular migrants and refugees to come back to their home countries, but to also show that migration is important for the development of both countries of origin and destination. Serbia is a good example as ADA has been supporting several projects that aim to connect Serbian and Austrian entrepreneurs. There is a lot of potential there and ADA would like to make use of that potential even more with ICMPD. ADA would like to move into the second phase of the project to strengthen diaspora entrepreneurs. With this successful project in Serbia, ADA would like to show other regions and countries how diaspora contribute to the wellbeing of all. Mr. Schall expressed his gratitude to the participants for their contributions and added that ADA is looking forward to the cooperation in the future.



With **special thanks** to the Austrian Development Agency for supporting the Link Up! Study and the Forum.



Thank you also to our partners:

Day 1 in cooperation with the Senate of Economy Austria



Day 2 in cooperation with the Austrian Chamber of Commerce

