

Feasibility Study
**DIASPORA INVESTMENT
 ON MUNICIPAL BONDS**



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EXECUTIVE SUMMARY

The objective of this exploratory research project was to evaluate and study the feasibility of offering municipal bonds to the Kosovar diaspora. In order to address the objective, the main exploratory research techniques applied were focus groups and one-on-one in-depth interviews with relevant stakeholders such as businesses, business support organizations, governmental (central and local level) and non-governmental institutions, members of the Kosovar diaspora, and international organizations operating in Kosovo.

The findings derived from this research project show that Kosovo has a well-established legal basis which enables its municipalities to engage its diaspora on local level economic activities. Furthermore, there is an improving level of cooperation between local and central level government institutions on diaspora-investment related issues. The level of cooperation has also improved among government institutions, international non-governmental organizations and business support agencies.

As far as the diaspora itself is concerned, the project found out that there is willingness to invest in municipal bonds, however, this strategy is perceived to be not so feasible due to: lack of knowledge and experience by the Kosovo municipalities in issuing bonds, high level of perceived investment risk and uncertainty; lack of relevant secondary legislation in place; and the overall poor investment climate in Kosovo.

In addition, the literature suggests that issuing municipal bonds is not the best strategy for small municipalities since local government has to compensate the investors for the higher risks compared to central level bonds. When municipalities engage in issuing bonds they are associated with long term costs which are very high since it requires staff resources to administer the program. In most of the cases municipalities issue long term bonds up to 10 years, thus, this may be conflicting with investors preferred investment term; which in most of the cases they look for returns within five years. Moreover, small municipalities are fairly limited in their borrowing capacity.

Finally, there is a need to develop the relevant secondary legislation, which is necessary to regulate this economic activity. In addition, municipalities have to closely coordinate with different stakeholders, especially central level government, in identifying projects for which bond issuance is feasible. Taking into consideration the above mentioned limitations, the idea of issuing municipal bonds to its diaspora it is not feasible for the time being, though it can be a revisited in the future once some of these limitations are addressed. However, a similar investment solution could already be pursued in the central level.

ABBREVIATIONS

AKM	Association of Kosovo Municipalities
BSO	Business Support Organization
CBK	Central Bank of Kosovo
DDI	Diaspora Direct Investments
DEED	Diaspora Engagement for Economic Development
DD	Diaspora for Development
FDI	Foreign Direct Investments
GK	Government of Kosovo
IMF	International Monetary Fund
IOM	International Organization of Migration
IPAK	Investment Promotion Agency of Kosovo
MD	Ministry of Diaspora
MF	Ministry of Finance
MFA	Ministry of Foreign Affairs
MTI	Ministry of Trade and Industry
NGO	Non-Government Organization
UNDP	United National Development Program

I. INTRODUCTION

Members of the Kosovar diaspora as senders of remittances, investors, philanthropists and innovators play a crucial role in securing Kosovo's overall social and economic wellbeing. Efforts to further engage members of the diaspora in economic activities in Kosovo are crucial because they enable the Government of Kosovo (GK) to: fight the high unemployment rate of 40% with youth unemployment over 70%; narrow the gap of the so-called skill mismatch on the labor market¹; transfer skills and expertise; increase overall investments in Kosovo; establish business networks; establish economic ties with foreign markets; and increase the potential to attract other foreign investors.

It is a well-known fact that remittances are the main form of diaspora's economic activity in Kosovo. They represent a relatively high portion of the country's GDP². In addition, remittances present a significant source of income for many families in Kosovo; used mainly for people's very basic needs, such as food and clothing³. Total remittance inflows in 2010 amounted to 442 million Euros, and a slight decrease of remittance inflows occurred in 2011 with a total inflow of 379.6 million Euros⁴. As such, remittances positively impact consumption and poverty reduction in Kosovo. Nevertheless, people in Kosovo purchase imported goods which means that the Kosovar economy is supported only to a limited extent. According to UNDP⁵, only 3.9%⁶ of remittances have been used for business investments in Kosovo.

Furthermore, the amount of money saved by the Kosovar diaspora is 5.5 higher than the amount being remitted to Kosovo over the same period⁷. Those findings suggest that the full potential impact of migration and diaspora investment on Kosovo's economic development remains largely untapped. With such a substantial contribution and potential of diaspora, many governments strive to establish closer and more productive partnerships with their diaspora communities. In the case of Kosovo, the Ministry of Diaspora (MD), along with many domestic and international organizations, is working towards creating mechanisms that strengthen the role of the Kosovo diaspora in development endeavors. In line with these initiatives, IOM and UNDP is implementing the Diaspora Engagement for Economic Development (DEED) project, which is envisioned to be an innovative step towards including the diaspora into Kosovo's

¹ World Bank. "Migration and economic development in Kosovo" (No. 6059 – XK), 2011, p. 6.

² UNDP, "2012 Kosovo Remittance Study", July 2012, p. 19.

³ Ibid.

⁴ Ibid, p. 22. Remittance inflow numbers vary from report to report. The annual report of the Central Bank of Kosovo (2013) for instance reports higher numbers of remittance inflows for the year 2012 (600 million, p. 80). Different empirical results might be a result of different research methodologies.

⁵ Riinvest Institute, "Practices for Diaspora Investment Attraction", p. 3, 2012.

⁶ UNDP 2012 Remittance Report on Kosovo reports an even lower number on remittance spending on investments: 1.4%, p. 38.

⁷ International Agency for Source Country Information (IASCI) report (Maximizing the Development Impact of Migration-related Financial Flows and Investment to Kosovo, 2010). In addition, UNDP Remittance Study 2012 reports that "Given the average savings rate of 18%, a Kosovar emigrant household may save between €3,240 and €8,640 per year. This may not seem like a lot of savings, but the total figure is rather substantial considering the large number of emigrants living abroad" (p. 56).

sustainable economic growth process (see Appendix 1 for information on the components of the DEED project).

The report “Facilitating Diaspora Investment in Kosovo: Assessment and Mapping of Innovative Strategies at Central and Local Level,” developed under the DEED project, covers a wide spectrum of solutions that local governments could utilize in incentivizing diaspora to invest (www.deed-ks.org/reports.html). Municipal debt issuance for development is one of the identified solutions, which states: Kosovo’s legal basis enables municipalities to make use of public debt instruments in raising capital. Bonds are financial instruments that are used to raise capital for various purposes. These mechanisms are effective tools in attracting and channeling investments. Consequently, many countries throughout the world use bonds to attract inward diaspora investment and funding. Municipalities in Kosovo may consider this solutions as an alternative way to attract diaspora investments. This research project, “Diaspora Investment on Municipal Bonds,” studied further the feasibility of the abovementioned solution.

Purpose and Objectives

The main objective of the research project was to conduct a feasibility study on the proposed diaspora economic engagement solution – the offering of municipal bonds. In doing so, three broad aspects of the study were addressed:

Institutional cooperation with Diaspora – Identifying the ongoing and planned activities related to diaspora’s engagement on economic development in Kosovo. Specific attention was put on gathering information on activities related to municipal bonds.

Regulatory environment – evaluating if the legal framework in Kosovo supports the issuance of municipal bonds by reviewing the relevant laws and regulations in place.

Attractiveness of the proposed solution – Identifying the potential interest on municipal bonds through first-hand information gathered from project stakeholders¹ in Kosovo and abroad.



¹ Stakeholders include representatives from: central and local level government institutions in Kosovo; international organizations operating in Kosovo; business support organizations (BSOs) and non-government organizations (NGOs) that operate in Kosovo and the ones that represent diaspora communities residing in US and UK; business people in Kosovo and diaspora; and experts.

Methodology

The main research techniques applied to address the feasibility of issuing municipal bonds were focus groups and one-on-one in-depth interviews with project stakeholders in Kosovo and abroad. In addition, the nature of the research method was more qualitative rather than quantitative. Also, different primary and secondary research activities were performed during the period of the research project, June to August, 2013.



Secondary research was mainly performed through desk research, which included the following research activities:

Legal and regulatory review – a number of laws, including their respective secondary legislation, were reviewed and evaluated in respect to the research objective (see Appendix 2 for detailed technical findings on the legal and regulatory review). In addition, relevant legal developments at central level government were closely monitored for important changes/updates to the present legal framework.

Literature review – a number of documents have been reviewed, such as: government and municipal level policies and strategies, international reports and academic writings, and specific

Kosovo diaspora related reports published by different international governmental and non-governmental organizations operating in Kosovo.

International practices – a number of international practices of bond issuance to diaspora were reviewed and analyzed. Main focus was put on deriving lessons learned from issuing municipal bond to diaspora.

Primary research was mainly performed through one-on-one interviews and focus groups with the relevant stakeholders in Kosovo, Albania, United States, and United Kingdom. The following research activities were performed:

Interviews with central and local level government officials – were conducted in order to evaluate the proposed investment solution (see Appendix 6). In addition, cases of international practices were discussed and opportunities for future institutional cooperation were identified (see Appendix 5). An important goal of this research activity was to identify any ongoing policy initiative relevant to the research objective.

Interviews with representatives of business support organizations and non-profit organizations – were conducted in Kosovo, Albania, United States, and United Kingdom (Appendix 7 and 8). The research team focused on: evaluating the proposed investment solution; identifying and discussing international practices; and identifying activities that those organizations are undertaking to directly or indirectly foster the relationship between Kosovo and its diaspora. Specific attention was put on how those organizations would contribute to the piloting of the proposed solution.

Interviews with Kosovar business people – were conducted in Kosovo, United States, and United Kingdom (see Appendix 10 and 11). Similar research logic as in the above point was applied. The research team put considerable attention on deriving lessons learned from the experience of investing in Kosovo, especially those of diaspora investors. In addition, specific attention was put on identifying suggestions on the proposed investment model.

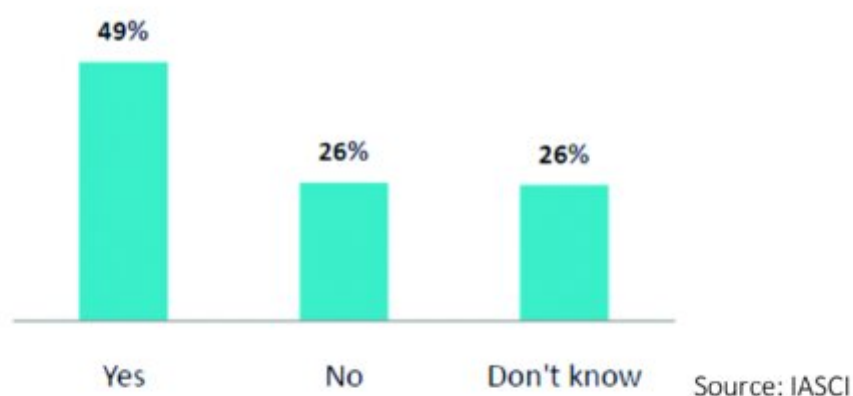
Focus groups – were conducted with diaspora business people and representatives from business support organizations (BSOs) and other non-government organizations (NGOs). Two focus groups were held in the United States (Washington DC and New York) and one in the United Kingdom (London). The main purpose of the focus groups was to evaluate the attractiveness of the proposed investment solution (see Appendix 8 and 9).

I. BACKGROUND

Diaspora's Potential and Interest to Invest in Kosovo

According to the study "Maximizing the Development Impact of Migration-related Financial Flows and Investment to Kosovo," the average annual income of Kosovo diaspora is Euro 46,092 of which Euro 19,572 is saved. Taking into consideration the above statistics, the propensity to save before remittances is 42.5% net income. Therefore, the trend of savings from Kosovo diaspora is considered to be 'average' compared to the neighboring countries. Data show that Kosovo diaspora maintain a strong willingness to invest in their country of origin. Having into account both the ratio of savings as well as the willingness to invest, this represents an enormous potential for investment in Kosovo.

" Do you plan to initiate or expand an investment in a business enterprise in Kosovo in the future?"



In addition, the abovementioned study shows that Kosovar migrants are characterized by a very high rate of entrepreneurial ambition and behavior. Many have invested in businesses in the past, both in country of migration and at home, and for many the objective of migration is to accumulate a certain amount of capital in order to establish or expand a business venture in Kosovo.

Continuing, the report¹ "Diaspora Perspectives on Investment in Kosovo" shows that 56% of diaspora members are "not informed at all" about the investment conditions in Kosovo; 41.33% are "well enough" informed; and 2.66% are informed "a lot." In addition, 42.02% showed "high" interest to invest in Kosovo; 52.17% showed interest "to some extent;" and 5.79% showed "zero" interest to invest in their home country. As a result, findings from the reports show that there is willingness to invest in Kosovo amongst members of the diaspora. However, before undertaking any investment activity in Kosovo, the members

¹ Conducted by IOM Kosovo in 2013, under the DEED project.

of the diaspora firstly analyze the general investment climate in Kosovo; to them, this represents a key matter of investing or not. Research findings from focus groups show that members of the diaspora identify the general investment climate in Kosovo as not that attractive because:

- a. The country does not offer investment incentives different from that of neighboring countries;
- b. The lack of rule of law, which discourages potential investors who are used to doing business based on contract reinforcement;
- c. The lack of a sustainable electricity and water supply system, which in turn causes high business overhead costs, ultimately leading to higher product/service costs;
- d. A partially suitable road infrastructure. The new highway to Albania is positively valued as an infrastructural project; however, road infrastructure in other parts of the country remains underdeveloped;
- e. The lack of specialized labor force;
- f. The Generally perceived high level of corruption; and
- g. The Political and economic instability.

Appendix 3 identifies a number of suggestions given by the members of diaspora on how to make Kosovo a more attractive place to invest.

Institutional Cooperation with Diaspora

Research findings, derived from the interviews conducted in Kosovo and abroad, show that there are no ongoing activities neither at the central nor at the local level that address the issuance of municipal bonds to diaspora. However, there is increasing cooperation among the stakeholders in developing projects and other activities that target several aspects related to the Kosovar diaspora. But, there is also demand for more projects that target diaspora's engagement on economic activities in Kosovo. In addition, there is a need for more coordination on the different initiatives undertaken at all levels. A few examples of areas of cooperation include:

- a. Integrating diaspora returnees;
- b. Establishing diaspora related support organizations;
- c. Organizing national and regional conferences on diaspora's social, political, and economical integration in the home country;
- d. Initiating research papers on diaspora related topics;
- e. Drafting laws and regulations that strengthen further the position of diaspora in home country;
- f. Establishing business networks between government institutions (central or local) and the diaspora business people;
- g. Supporting municipalities in drafting project proposals aimed at targeting its respective diaspora; and
- h. Organizing socializing and entertaining events that target the Kosovar diaspora.

In addition, members of the diaspora support organizations and municipal level representatives see the GK as having a crucial role in strengthening further the role of the diaspora in Kosovo. Following this point, additional research was performed on identifying important decisions taken by the GK and the key findings are as follows:

- a. In May 2011, the GK took a decision to establish the Ministry of Diaspora with the objective to strengthen the relationship with the diaspora. Immediately following this government decision, the MD started its operations.
- b. In May 2011, the GK approved the law on diaspora and migrants. This law is now in power and it sets the legal framework on how the diaspora is integrated politically, economically, and socially in Kosovo (please refer to Appendix 2 for additional information on the law).
- c. In February 2013, the GK opened the first Cultural Center on Diaspora and Migration (KCCDM) in Istanbul, Turkey. The role of KCCDM is to encourage cooperation between members of the diaspora and residents in Kosovo in the area of science, technology, economy, and sports (see Appendix 2 for additional information on KCCDM).
- d. In August 2013, the GK approved the Strategy for Diaspora and Migrants (2013 – 2018), with a decision for immediate implementation. The strategy aims to be a comprehensive, representative, and a consultative tool for the Kosovar diaspora. Additionally, it aims at strengthening diaspora's political and civil rights in Kosovo. An important objective mentioned under this document is diaspora's inclusion into the country's socio-economic development (please refer to Appendix 4 for more information on the strategy and its objectives).
- e. In July 2013, in line with the objective to integrate diaspora in economic activities in Kosovo, the GK approved¹ a new law on foreign investments, which considers diaspora investors as 'foreign investors' and entitles them to more investment benefits; this legal distinction between the new law and the past law is seen to encourage diaspora to invest more in Kosovo. In addition, Investment Promotion Agency in Kosovo (IPAK) is planning to target the diaspora through different investment promotion activities and networking events.

Finally, project stakeholders emphasized that there is lack of information on diaspora related aspects and that more effort is needed to coordinate on the different initiatives undertaken at all levels. Generally speaking, there is lack of information on diaspora's demographic, social, economic, and political aspects. For examples, there is no information on the number of diaspora members in a given country or the number of diaspora business people interested to invest in Kosovo. Hence, institutions – especially municipalities and IPAK – experience difficulties in drafting project proposals tailored to the needs of

¹ The GK has approved the new Law on Foreign Investments which is going to replace the existing law, Law No. 02/L-33 on Foreign Investment (21 November, 2005).

potential diaspora investors. On the other hand, potential diaspora investors lack information addressed to their investment interest. In addition, local level government officials mentioned that potential diaspora investors usually approach the Municipalities with specific requests. In turn, municipalities provide technical support (interpreting laws and regulations, support in registering the business, getting licenses and permits, etc.). These interactions are all done on an ad-hoc basis and there is no continuous and sustainable communication established between the two parties.

I. ISSUING MUNICIPAL BONDS

The idea of attracting diaspora investors by offering to them investment opportunities on municipal level bonds seems attractive to municipalities and to potential diaspora investors. This is because such investment alternatives create financial resources to municipalities and alternative investment opportunities to diaspora investors. Nevertheless, findings from legal review show that there is missing legal framework in Kosovo which supports the issuance of municipal bonds. As a result, for the time being, diaspora members cannot invest in such financial instruments. In addition, international practices show that bond issuance is an undertaking which is more feasible to the central level instead of municipal level.

Studies suggest that municipalities are associated with potential disadvantages when issuing bonds to the mass. Municipal bonds can be very expensive option since local government has to compensate the investors for the higher risks compared to central level bonds. Moreover, long term costs are very high since it requires staff resources to administer the program. In most of the cases municipalities issue long term bonds up to 10 years, thus, this may be conflicting with investors preferred investment term; which in most of the cases they look for returns within five years. Last but not least, small municipalities are fairly limited in their borrowing capacity; so the idea to issue bonds would be very difficult.

Legal and Policy Framework

Findings from legal and regulatory review show that there is no law on Municipal Securities in Kosovo, which is foreseen in the existing law on Public Debt. According to this law, Municipal Securities may only be offered for sale when a law on securities has been adopted: establishing a securities commission and when that commission has adopted regulations on the issue of Municipal Securities. As a result, for the time being, municipalities cannot engage on the economic activity of issuing bonds.

In addition, no action is undertaken at the central or the local level government to sponsor the drafting of the needed bill. However, the already establishing law on public debt regulates the general aspects related to municipalities pursuing alternative sources of income, hence debt generation. Additionally, research outcomes show that any activity related to debt generation, including issuance of municipal bonds, should be closely coordinated with central level government institutions. As foreseen in the law on

public debt, the issuance of the long term debt should be closely coordinated and with prior approval by the Ministry of Finance (MF). Therefore, the existing legislation is complex and not that flexible to local government needs' for a simple and less complicated legal framework that stimulates diaspora to invest on municipal bonds.

On the other hand, there is an already established legal framework that regulates local self-government system¹ in Kosovo. As a result, municipalities can initiate and engage in different social and economic activities that lead to an overall improved social wellbeing of its citizens. Research findings show that municipalities can initiate a number of other projects with the objective to engage the diaspora on municipal level economic activities. For example, municipalities can lease its property to potential diaspora investors. But, as indicated above, issuing municipal bonds is not a viable option at this time.

Diaspora's Interest to Invest in Municipal Bonds

Findings from the focus groups show that members of the diaspora perceive the investment on municipal bonds as a good alternative way for municipalities to generate financial capital to fund their projects; but, a not so feasible investment option for them because of:

1. *Lack of knowledge and experience in issuing bonds* – the fact that there is no single case in Kosovo of municipalities issuing bonds, makes the members of the diaspora reluctant to consider this investment option. They also expressed concern on central and local level government staff capacities to initiate, manage, and raise funds through bonds for capital projects.
2. *High level of perceived investment risk* – the high level of perceived risk associated with: failure to manage such initiatives by municipal representatives; lack of third party overseeing such an activity; and no stock exchange in Kosovo, make potential diaspora investor express unwillingness to invest in municipal bonds. They frequently asked the following questions: Where is my money going to be invested? How is the Municipality going to secure the investments? What is the experience of Municipalities in managing risk and uncertainty of such projects?
3. *Missing legislation* – the lack of regulatory and legal basis related to the issuance of local level bonds makes the case even less attractive to diaspora potential investors. They also foresee that such legal action will not take place in the near term due to the complexity of the activity and the lack of experience in Kosovo to undertake such legal drafting.

Lack of projects – the fact that no project is identified by municipalities, for which bond issuance may be considered, makes the members of diaspora think that municipalities show no interest in

¹ Law No. 03/L-40 on Local Self-Government (20 February, 2008). Pristina, as the capital, is planned to be regulated by a separate law. At the time being, the abovementioned law is being applied to the city of Pristina until a separate law is in place.

1. such an undertaking. According to them, regardless of the fact that there is missing legislation, municipalities should at least draft a few projects and identify potential diaspora's demand to buy project related bonds.
2. *Capacity to repay debt* – participants at focus groups expressed concern on the capacity of the local government to repay debt due to: limited financial resources that municipalities possess; low central government budget support to municipalities; and weak financial planning at both central and local level which results in project defaults and postponements.
3. *Dissemination of information* – the lack of information on the lucrativeness of the proposed investment solution and no promotional activity related to it, make the members of diaspora neglect this investment opportunity.

International Approaches

From the international practices aspect, governments of other countries have been consistently trying to involve diaspora in buying bonds, which are designed to tap into diaspora assets. Studies show that diaspora bonds is an innovative form of financing that enables transition economies to support infrastructure projects. After extensive research regarding municipal bonds on attracting diaspora, it is concluded that countries do not pursue this type of strategy (target diaspora through municipal bonds). Yet, many countries target its diaspora in two ways: providing central level bonds and by providing special depository accounts for diaspora.

Examples of how countries gain access to fixed-term funding by issuing diaspora bonds are:

¹*Ghana Bonds* – In 2007 the Government of Ghana issued \$50 million worth of five-year “Golden Jubilee” savings bonds, available for purchase at approved financial institutions until June 2008, to diaspora and Ghanaians living in Ghana. Their objective was to raise money for infrastructural development projects. Holders of the bonds received 15.5% interest compounded semiannually until redemption. Even though Ghana offered bonds at very low price still failed to reach their goal of issuing \$50 million. Ghana was able to issue only \$20 million worth of bonds, well below their objective.

²*Israeli Bonds* – The Government of Israel developed a strategy to issue Israeli Bonds to its diaspora. Israeli Government through the Development Corporation of Israel marketed the Israeli Bonds to its diaspora in order to help build the national infrastructure. Until the year 2011, the

¹ Ghana Ministry of Finance and Economic Planning. “Golden Jubilee Savings Bond” www.mofep.gov.gh/gj_bond.htm

² International Organization on Migration and Migration Policy Institute (2011) Developing a Road Map for Engaging Diaspora in Development.

Government of Israel has been able to raise over \$33 billion. Israel considers the issuance of these bonds as an important tool for maintaining ties with diaspora. Israeli bonds offer a number of options to investors including a multiple maturity date and a minimum option that sell for as low as \$100 and as high as \$100,000. From the generated capital inflow the Government of Israeli has spent over \$26 billion for transport, energy, telecommunications, water resources, etc.

¹*Ethiopian Bonds* – In 2011 Ethiopia launched the Renaissance Dam Bond, to fund the construction of the Great Renaissance Dam which is Africa's largest hydroelectric power plant. The Government of Ethiopia targets \$4.8 billion in order to finance the hydroelectric power plant. The Renaissance Dam Bond is available in minimum denominations of \$50 and transferable to up to three people. Buyers can chose to buy those bonds with five years or five up to ten years maturity period. Moreover, the buyers can chose between bonds with or without interest rates. The interest rates for the five year bond are 5.5%, while for the five up to ten year bond yield 6% interest.

Examples of how countries gain access to fixed-term funding by introducing special category of deposit accounts are:

²*Bangladesh* – introduced special category of deposit accounts at commercial banks in countries of origin, where members of diaspora can deposit their savings. Holders of such special accounts are given preferential interest rates as well as the option of having accounts denominated in foreign currency. This strategy has enabled banks in Bangladesh to expand bank capitalization for lending and onward investment by offering diaspora the opportunity to participate in capital markets in their home countries. Their strategy is based on offering security to their deposits by allowing them to deposit the currency of the country where they live. By giving them this opportunity the Bangladesh diaspora is considered to be safer to currency fluctuation risks.

³*India* – introduced special category of deposits accounts at commercial banks in countries of origin, where members of diaspora can deposit their savings. Holders of such special accounts are given preferential interest rates as well as the option of having accounts denominated in foreign currency. In March of year 2010, India considered \$14.3 million in foreign currency and \$33.6 million in rupee denominated accounts. These accounts are available for fixed terms of not less than one year and not more than five years. India has been successfully attracting diaspora through these deposit accounts by having the accounts to be used to obtain loans in India and abroad, both in domestic and foreign currencies.

¹ National Bank of Ethiopia. 2004. Directive No. FXD/25/2004, Amendment to Directive No. FXD/24/2004, Establishment and Operation of Foreign Currency Account for Non-Resident Ethiopians and Non-Resident Ethiopian Origin. July 12. www.mfa.gov.et/Ethiopians_Origin_Abroad/Services.php?Page=Home.html.

² International Organization on Migration and Migration Policy Institute (2011) Developing a Road Map for Engaging Diaspora in Development.

³ Reserve Bank of India. "Features of Various Deposit Schemes Available to Non-Resident Indians" www.rbi.org.in/scripts/FAQView.aspx?Id=60.

Tunisia – introduced special category of deposits accounts at commercial banks in countries of origin, where members of diaspora can deposit their savings. Holders of such special accounts are given preferential interest rates as well as the option of having accounts denominated in foreign currency.

¹*Ethiopia* – the Bank of Ethiopia created Foreign Currency Deposit Accounts specifically targeting members of the Ethiopian diaspora to invest domestically. Many Ethiopians that lived abroad did not want to take the risk on investing in these accounts in Ethiopian currency due to the instability of the currency. Thus they allowed diaspora to invest in any convertible currency that investors would prefer. The Central Bank of Ethiopia required a minimum of 5,000 dollars of investment in order to open an account and a maximum of 50,000 dollars. Moreover, the holders of FCD accounts can use them as collateral or a guarantee for loans or bids. This resulted very attractive for diaspora investors to invest in these accounts that provides potential a new source of finance.

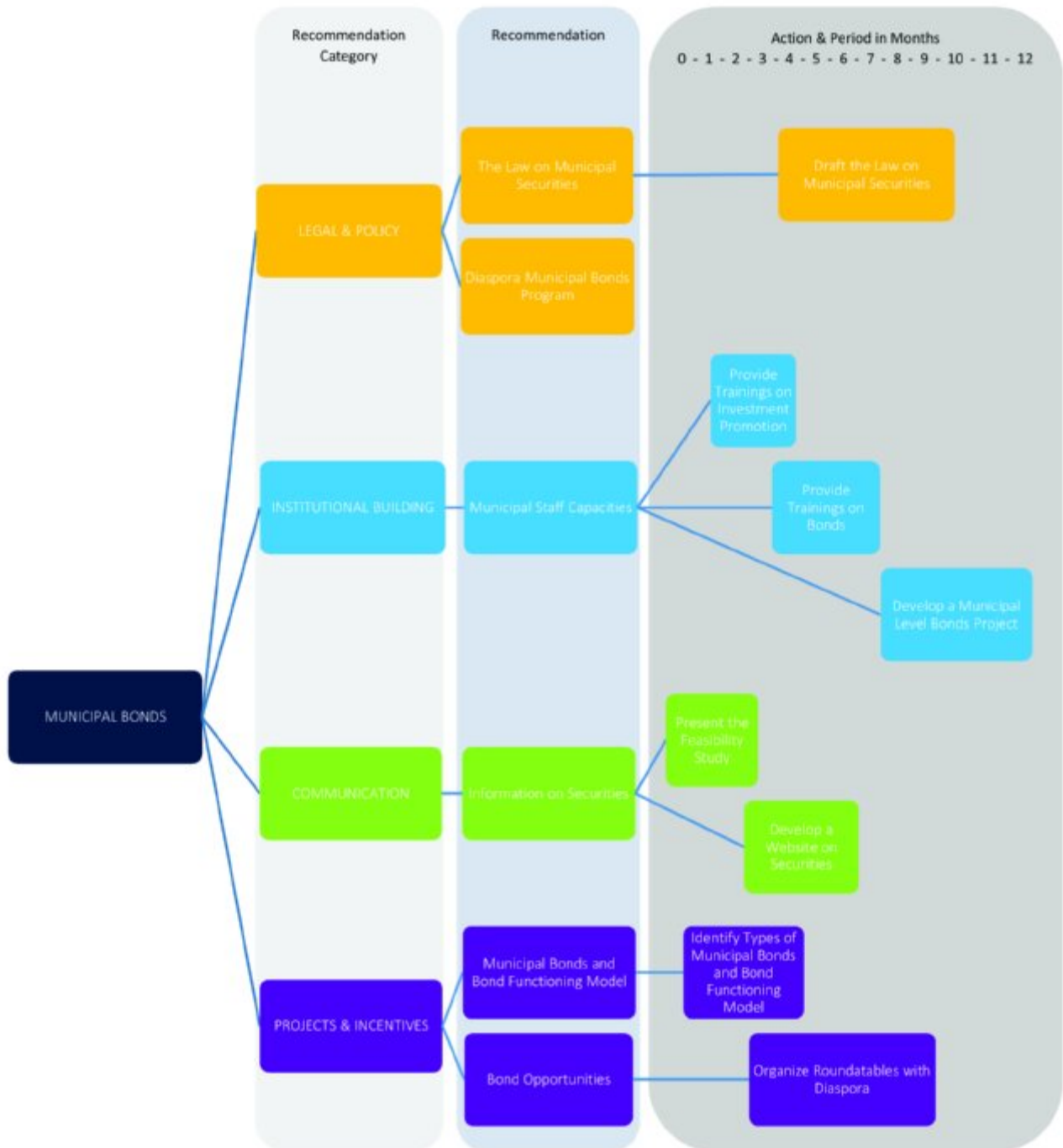
²*Turkey* – the Central Bank of Turkey offers foreign currency denominated fixed-term deposit accounts and “Super FX” accounts for Turkish passport holders living abroad. Turkey requires a minimum of 1,000 of francs, euros, US dollars, or British pounds. However, the “Super FX” accounts are offered only in euro and dollars at a minimum deposit of 5,000. This amount of money must be held for one, two or three years. In order to attract diaspora, Turkey followed a strategy where made it eligible for individuals to open accounts in banks in Netherlands, United Kingdom, Germany, France, and the United States.

Countries that have issued diaspora bonds base their initiatives in the central level government rather than municipal level. Diaspora bonds have shown to be trustworthy source of finance for developing economies that have managed to market their bonds strategically to its diaspora (India, Israeli, and Turkey). In most of the cases, “emotional affiliation” to the country does not eliminate the need to make a financial return, meaning that diaspora is more concerned in their return rather than the country’s development plan. By this we can conclude that patriotic ties to the homeland is not the best strategy to follow.

¹ USAID and MPI (2010) Diaspora Investment in Developing and Emerging Country Capital Markets: Patterns and Prospects.

² Central Bank of the Republic of Turkey, “FX Deposit Accounts”, www.tcmb.gov.tr/isicidvz/isicidozengveni.html.

I. RECOMMENDATIONS ON THE ISSUANCE OF MUNICIPAL BONDS TO DIASPORA



A number of recommendations and related action(s) on how to attract diaspora investments on municipal level bonds are summarized in the graph above. These recommendations are derived from the numerous research activities performed during the research project period. Recommendations are grouped into categories followed by respective actions. Those actions are addressed to DEED for its future follow-up on the subject matter. DEED can decide to simultaneously implement more than one of the suggested actions. Detailed descriptions on the recommendations and actions can be found below:

I. LEGAL & POLICY

1. The Law on Municipal Securities – It is recommended by government officials that the law on Municipal Securities should be drafted and approved by the central government. This action will fill in the legal gap which at the time being does not enable municipalities to issue bonds. This is a follow-up action in relation to the Law No. 03/L-175 on Public Debt (29 December, 2009), more specifically article 30, which says that Municipal Securities may only be offered for sale when a law on securities has been adopted establishing a securities commission and when that commission has adopted regulations on the issue of Municipal Securities. Furthermore, this initiative should be administered at the central level (MF and CBK) and closely coordinated with the local government (the Association of Kosovar Municipalities). In addition, expertise should be pursued from the international organizations operating in Kosovo.
 - a. Draft the Law on Municipal Securities – DEED could coordinate with central level government institutions (especially with Ministry of Finance) and support them in drafting the on Municipal Securities. Support should be given in the form of technical assistance, know-how on the subject matter. This document would regulate further the activity of issuing municipal level bonds. *Approximate duration: 6 months.*
2. Diaspora Municipal Bonds Program – After the legal framework related to municipal bonds is established, focus may be put on developing an integrated municipal program on the issuance of diaspora municipal bonds. This initiative should be undertaken by the AKM and in close coordination with the international organizations operating in Kosovo. The role of the former stakeholder should be to include all municipalities in developing the program, while the role of the later stakeholder should be to assist in developing the program through expertise and technical assistance. In addition, this initiative should be closely coordinated with the MF, CBK, and other relevant GK institutions. The focus of the program should be: identifying potential projects suitable for bond issuance (ex. infrastructure development); piloting the first bond issuance in Kosovo; identifying potential diaspora investors; developing technical capacities in overseeing and managing such initiatives, and etc.

I. INSTITUTIONAL BUILDING

1. **Municipal Staff Capacities** – It is recommended by local level government representatives and business people that Municipalities introduce staff capacity building programs which lead to an improved overall knowledge and experience on municipal bond issuance. It is important to employ people who possess knowledge and preferably experience in issuing bonds and the related legal framework. Municipal members that will deal with bonds should possess the skills needed to initiate and manage related projects. The more professional the staff, the higher are the chances to establish sustainable communication with potential diaspora investors on related topics. Continuing, Municipalities should seek support from central level government institutions in increasing the general knowledge of their staff on bonds and other securities. MF and CBK could support Municipalities with examples of how they initiated the issuance of bonds at the central level and how such an initiative was perceived by the buyers of such securities. Lessons can be provided by them on how do they manage risk and how do they supervise such an economic activity. In addition, Municipalities can also seek opportunities to learn from international practices on bond issuance. This can be done in cooperation with international organizations operating in Kosovo. Examples include: organizing study tours; gathering information from other countries related to the issuance of bonds; learning what kind of risk management mechanisms and activity supervising bodies other countries apply in overseeing the practice of bond issuance; and etc.
 - a. **Provide Trainings on Investment Promotion** – DEED, in cooperation with IPAK and AKM, could provide trainings on investment promotion. Training programs from CheckInvest may be looked at. Training should at least be provided to all municipal level representatives that communicate with potential investors. *Approximate duration: 2 months.*
 - b. **Provide Trainings on Bonds** – DEED, in cooperation with MF/CBK could provide trainings on increasing the overall knowledge on bonds. Training should at least be provided to all municipal level representatives that communicate with potential investors and that in the future will manage bond related projects. *Approximate duration: 3 months.*
 - c. **Develop a Municipal Level Bonds Project** – After the municipalities' staff have gain general knowledge on investment promotion (2a) and Bonds (2b), DEED could further enhance their capacities by providing them with a hands-on work experience. DEED could coordinate with any of the AKM, MF, and CBK and together work on developing the first municipal bonds project (from feasibility study to project implementation). *Approximate duration: 6 months.*

I. COMMUNICATION

1. Information on Securities – It was recommended by members of the diaspora that more effort should be put, especially by central and local level government, on disseminating information to the them related to investment opportunities at the local level in Kosovo. According to them, a website is an effective communication tool that may well serve the information needs of potential diaspora investors.
 - a. Present the Feasibility Study – DEED could present the findings of this feasibility study not only to the relevant stakeholders in Kosovo, but also to the Kosovar diaspora abroad. This can be done through electronic communication or by organizing presentation events. This should be the very first action that DEED should undertake. *Approximate duration: 2 months.*
 - b. Develop a Website on Securities – DEED could support GK/MF/CBK/AKM in developing a website which would have all relevant information on securities issued in Kosovo, with focus in bonds. This website would also be used as a communication tool that will present the latest investment opportunities in Kosovo which require issuance of bonds. In this context, DEED could support the abovementioned institutions by financing the development of the website. *Approximate duration: 4 months.*

II. PROJECTS AND INCENTIVES

2. Municipal Bonds and Bond Functioning Model – Representatives from BSOs suggested that central and local level government should identify the kind(s) of bond(s) planned to be issued to potential diaspora investors. In addition, management and control models related to the issuance of bonds should be identified. Models that foresee an extensive involvement of third-party private sector were highly recommended.
 - a. Identify the Types of Municipal Bonds and Bond Functioning Model – further research is needed to be conducted on identifying the types of municipal bonds and the bond functioning model feasible to the Kosovo economic context. DEED could undertake this small activity as a follow-up action to this study. *Approximate duration: 3 months.*
3. Bond Opportunities – Members of the BSOs recommended that municipalities should cooperate with IPAK in identifying diaspora related investment opportunities. Even though, there is no activity related to municipal bonds due to legal constraints; municipalities can work on identifying the potential areas of interest for which bond issuance would be feasible. This can be done by organizing networking events with potential diaspora investors.

Organize Roundtables with Diaspora – DEED could support IPAK and municipalities (through AKM) to organize roundtables with Diaspora investors and together identify the

- a. projects of interest, which would be feasible for financing through issuance of bonds. In addition, representatives from MF and CBK should be invited to participate at this activity. *Approximate duration: 6 months.*

I. CONCLUDING REMARKS

The findings derived from this research project show that Kosovo has a well-established legal basis which enables its municipalities to engage its diaspora on local level economic activities. As shown in the previous sections of the report, there are several examples of how municipalities, together with other relevant stakeholders, undertake initiatives to target its diaspora. The drafting of the strategy on diaspora is an important development which further fosters the institutional approach towards establishing more ties with the Kosovar diaspora.

In the context of issuing municipal bonds, project stakeholders perceive this investment alternative to be a good capital generating alternative for the municipalities. Nevertheless, members of the diaspora, consider investing in municipal bonds as a not so feasible investment option, for the time being, because of: lack of knowledge and experience by the Kosovo municipalities in issuing bonds; high level of perceived investment risk and uncertainty; lack of relevant secondary legislation in place; and the overall poor investment climate in Kosovo. Furthermore, the literature suggests that small municipalities do not have the capacity to engage in issuing bonds due to: high long term costs, lack of expertise, as well as limited borrowing capacity.

Finally, if municipalities plan to issue local level bonds, than they have to develop the relevant secondary legislation, which is necessary to regulate this economic activity. In addition, municipalities have to closely coordinate with different stakeholders, especially central level government, in identifying projects for which bond issuance is feasible. Furthermore, local government should invest in building professional staff capacities to deal with such undertakings. The idea of issuing municipal bonds to diaspora it is not considered feasible until the above mentioned challenges are overcome, yet municipalities in close cooperation with central government could initiate such strategy in the central level context.

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I. APPENDIXES

Appendix 1 – Diaspora Engagement for Economic Development (DEED)

The DEED project is structured around three major components. The first component aims at supporting the aggregation of local savings and investments. The second step goes towards creating models and mechanisms that facilitate diaspora investments in Kosovo. Component three aims at supporting Kosovo's authorities in creating evidence-based policies for diaspora related issues. Component 1 and 3 have gender sensitive elements, however, this particular report focused on the component that treats investment facilitation. For more information on the DEED project, please visit www.deed-ks.org.

Appendix 2 – Legal and Regulatory Review

1. Law No. 04/L-095 on Diaspora and Migrants (31 May, 2012) – The purpose of this law is preservation and cultivation of national identity, language, culture and education of the diaspora members and migration and their relations with institutions of Republic of Kosovo (Article 1.1). This law, also, aims to help in organization of the diaspora in various countries where they live and help, encourage and develop inter-cultural relations between Republic of Kosovo and countries in which the diaspora is present.

Article 3 states that the Government shall coordinate the realization of interests of members of diaspora, through relevant ministries and Kosovo Cultural Centers on Diaspora and Migration (KCCDM). Article 4.1.6 states that the Ministry of Diaspora has the responsibility to provide information, coordinate and support investments of diaspora members in Kosovo. In addition, Article 6.1.3 states that KCCDM is responsible to induce scientific cooperation, technical, technological, economic and sports between Kosovo and members of diaspora. While Article 6.1.4 states that KCCDM shall provide information and instructions on investments in Kosovo, fiscal relief, cultural and educational organizations, meetings with compatriots and leading structures in Kosovo and the respective states where they live, support communication through diaspora with political structures or respective countries for development of democracy and economy in Kosovo and public awareness campaigns for Kosovo in host countries. Lastly, Article 6.1.6 says that KCCDM through plans and programs shall induce capital investment in the country.

Furthermore, Article 12.1 states that the Ministry shall pay special attention to strengthen economic links, cooperation in the area of science and development of new technologies between members of diaspora and institutions of the state of Kosovo, through economic cooperation among various measures of political economy on the basis of laws in force of Republic of Kosovo. While Article 12.2 says that the

Government of Kosovo, within one (1) year from entry into force of this law, shall approve the Strategic plan for diaspora and migration, drafted and proposed by the Ministry.

1. Law No. 03/L-40 on Local Self-Government (20 February, 2008) – This law establishes the legal basis for a sustainable local self-government system in Kosovo (Article 1). Under this law the legal status of municipalities is very well defined, their competencies and general principles of municipal finances, organization and functioning of the municipal bodies, the intra-municipal arrangements and the inter-municipal cooperation including the cross border cooperation and the relationship between municipalities and central government (Article 2.1). According to Article 2.2, the City of Pristina is regulated by a separate law, but the Law on Local Self-Government shall apply to the City of Pristina except if stated otherwise in its own city law.

Article 5b states that the Municipality shall have the legal capacity to own and manage property; and Article 5d grants its right to enter into contracts; and Article 5f grants its rights to engage in other activities that are necessary for discharging its responsibilities. Furthermore, Article 14.1 states that Municipalities shall have the right to own and manage immovable and movable properties. In addition, Article 14.2 states that Municipalities shall have the right to sell and lease the immovable and movable property according to law, with the exception of the sale of the land is regulated with a special law.

Article 17.1 states several powers and responsibilities of the Municipalities, but the following ones are with relevance to our project:

- Local economic development;
- Urban and rural planning;
- Land use and development;
- Implementation of building regulations and building control standards;
- Local environmental protection;
- Provision and maintenance of public services and utilities, including water supply, sewers and drains, sewage treatment, waste management, local roads, local transport, and local heating schemes
- Business registration and licensing

Law No. 03/L-049 on Local Government Finance (13 March, 2008) – As per Article 8 – Categories of Own Source Revenues, under Part II – Municipal Financial Resources, any revenues collected or received by a municipality under the authority of a law from the following sources shall be such municipality's own source revenues: b) Rents on immovable property situated in the municipality and under the administration or ownership of the municipality. In addition, Article 20.1 states that Municipalities have the right to charge and collect rent for the use of municipal property by undertakings or natural persons. Article 20.2 states that the basis for the rental charge for using municipal property shall be the market rental value except as provided in paragraph 6 of this Article. Furthermore, Article 20.3 says that rental charges for the use of municipal immovable property shall be the market rental price based on (i) the size of the building or land as measured in square meters

1. or another measure of area, (ii) the location and type of the building or land, and (iii) the type of usage, whether it is for business, trade, residence, agriculture, or professional work. Article 20.4 states that Municipalities may charge and collect rent from business organizations that use municipal property to conduct their activities, including – but not limited to - kiosks, sales desks, and restaurants that are located on or that use sidewalks, pavements, roads, public easements, municipal land or other municipal property. In addition, Article 20.5 says that the rental charges shall not be determined on the basis of the revenues or turnover of the business organization using the municipal property. Finally, Article 20.6 states that Municipalities may charge and collect rent that is lower than the market rental value if the concerned use of the municipal property clearly serves a significant social or public purpose that has been identified as such in a regulation adopted by the municipality assembly.
2. Law No. 03/L-175 on Public Debt (29 December, 2009) – As per Article 1, the purpose of this law is to provide the Republic of Kosovo the authority to borrow money; to offer loan guarantees, to pay expenses for debt issuance and to pay the principal and interest on its State Debt. In addition, it has the objective of vesting the Minister of Economy and Finance¹ with the authority, as well as the responsibility, and for providing overall management and administration of the Debt and of the authorized loan guarantee programs of the Republic of Kosovo including limitations, development of a Debt Management Program and a Debt Management Strategy. According to Article 2, paragraph 1.3 Debt is any financial obligation to repay or otherwise pay money created by Financing Contract or by notes of treasury, a bond, overdraft or other security issued as consideration for the disbursement of funds, as well as the obligation to repay principal, interest, discount, and any fees, commissions or penalties of any nature. While paragraph 1.4 defines Long-Term Debt as debt which is payable for a period of one year or more. Lastly, paragraph 1.5 defines Short-Term Debt as debt which is payable for a period of up to one year.

Part II of the Law is focused on Municipal Borrowing. Some of the general provision, with relevance to our project, is stated under Article 29 (Definitions), such as: 1.1. Municipal Debt or Debt – a monetary obligation or liability created by a Financing Agreement, treasury note, debenture, bond, overdraft, or the issue of securities, and unless otherwise provided herein includes a Guarantee. 1.3. Financing Agreement – a written instrument that foresees the terms and conditions under which a borrower has obtained funds from a Lender and includes provisions that regulate their payment, including any loan agreement, lease, line of credit, installment purchase contract or other purchase arrangement or any other document, pursuant to which a Municipality undertakes to pay the capital cost of property, plant and equipment within a time. 1.12. Municipal Security – any treasury note, bond, non-guaranteed debenture or other evidence of indebtedness issued by a Municipality, whether in physical or dematerialized form.

Article 30 (Authority to borrow) of Chapter X (Municipal debt and guarantees) describes in detail the procedure for authorization. Its numerous paragraphs regulate the technical aspects that should be

¹ The Mister of Finance (There is no longer Ministry of Economy and Finance).

followed by the Mayor, Municipal Assembly, and the Ministry in the process of incurring Municipal level debt. In this context, Article 4, paragraph 1 of Part I of the law states that the Ministry of Finance shall be permitted to lend to any public sector entity, including Municipalities from the proceeds of State Debt. So, this creates a source of debt borrowing for the Municipalities.

Paragraph 3 of Article 30 covers the purposes of debt. The following sub-paragraphs are with relevance to the project: 3.1. Short-Term Debt. A Municipality may obtain Short-Term Debt that must be paid within one-year of its issue, to finance cash flow budget deficits temporarily. 3.2. Long-Term Debt. A Municipality may obtain Long-Term Debt: 3.2.1 for capital investments that: 3.2.1.1 are to be utilized by the Municipality for an essential municipal function, 3.2.1.2 are owned by the Municipality, 3.2.1.3 have a Useful time of not less than three years, 3.2.1.4 are set out in the Municipality's capital investment plan approved by the Municipal Assembly which plans capital investments for a period of not less than three years, 3.2.1.5 are in the Municipal budget approved by the Municipal Assembly, 3.2.1.6 are set out in the Mid-Term Expenditure Framework and the Kosovo Consolidated Budget, and 3.2.1.7 are related to education and healthcare. Such capital investments shall be submitted and reviewed by the budget office of the relevant Ministry for compliance with the sector's capital improvement strategy and not objected to within thirty (30) days of such submission. 3.2.2 to refinance outstanding Long-Term indebtedness obtained pursuant to 3.2.1 above, provided that such refinancing results in a debt service savings or cash flow benefits for the Municipality. 3.3. Guarantees. A Municipality may issue a Guarantee of Debt of: 3.3.1. Another legal entity that is owned or controlled by the Municipality provided that such Debt is issued to finance capital investments, as defined in sub-paragraph 2 of paragraph 3 of this Article, for an essential municipal function, or 3.3.2 a joint association of Municipalities as provided in Article 37 provided that such Debt is issued to finance capital investments for an essential municipal function.

Finally, Paragraph 5 of Article 30 covers Municipal Securities. The following articles are of relevance to the project: 5.1. After the approval of the Debt in accordance with sub-paragraph 2 of paragraph 1 of this Article the Mayor is authorized to issue, in the name of the Municipality, marketable Securities such as bonds and notes in book-entry only. Municipal securities that are not marketable may be issued in physical form and may be negotiable or non-negotiable. The Mayor is further authorized to establish and maintain directly, or through the fiscal agent, a computerized system for securities issued as book-entries. 5.2. Securities issued in the electronic form in an account are obligations of the Municipality. The issue, account maintenance, and transactions affecting such Securities, including redemption, are conducted electronically, utilizing interlinked computerized records. 5.3. Municipal Securities may be negotiable or non-negotiable, depending on the terms and conditions of issue. 5.4. Municipal Securities may only be offered for sale when a law on securities has been adopted establishing a securities commission and when that commission has adopted regulations on the issue of Municipal Securities.

Law No. 02/L-33 on Foreign Investment (21 November, 2005) – As per Article 1.1 The principal purpose of the present law is to promote and encourage foreign investment in Kosovo by providing foreign investors with a set of fundamental and enforceable legal rights and guarantees that will

1. ensure foreign investors that they and their investments will be protected and treated with fairness and respect in strict accordance with the rule of law and widely accepted international standards and practice. Furthermore, Article 1.2 stated that by promoting and encouraging foreign investment in Kosovo, the present law aims to advance the overall economic development of Kosovo, especially the development of a robust, diversified and competitive private sector. In this way the present law aims to:
 - a. Ensure Kosovo's full integration into the regional, European and world economies by encouraging the transfer of capital, modern technology, know-how, financial and intellectual services, management skills and information to Kosovo;
 - b. Improve and diversify Kosovo's ability to obtain and provide goods, services and capital from and to outside markets; and
 - c. Increase the predictability, stability and transparency of Kosovo's legal framework and its consistency with both European and international standards.

Under Article 2, paragraph 1 we find the following definitions: "Foreign Investor" which means a foreign person that has made an investment in Kosovo. "Foreign Person" means and includes any of the following: a. a physical person who is a citizen of, or who has legal permanent resident status in, a foreign state or geographic territory outside Kosovo; b. a business or other organization, entity or association - with or without legal personality - that has been established under the law of a foreign state or geographic territory outside Kosovo; c. a governmental or public-administrative unit or agency of a foreign state or geographic territory outside Kosovo; and d. an organization, entity or other association - with or without legal personality – that is established by treaty or other agreement between or among states or that is otherwise a subject of international law.

As indicated in the report, in 2012 Kosovo government has approved the Draft Law on Protecting Foreign Investments. The Law regulates, protects, promotes and encourages foreign investments in Kosovo by offering to foreign investors' fundamental rights and guarantees in line with international laws, standards and practices. The draft law foresees measures against any public authority that does not respect rights and guarantees of foreign investors and their investments. Those that prevent investors will pay compensation for losses and costs incurred by investors.

Appendix 3 – Suggestions Given By the Members of the Diaspora on How To Make Kosovo A More Attractive Place to Invest

In order to stimulate diaspora investments in Kosovo, diaspora business people and representatives of diaspora related BSOs and NSOs suggested that the Government of Kosovo should take into consideration the following suggestions:

1. Central and local level government should cooperate and allocate funds to research institutes aiming to research, study, and facilitate diaspora related issues. For example, the Government may finance sectorial studies (tourism, mines and minerals, etc.), which in turn could be used to promote location specific benefits and investment opportunities.
2. Identifying Municipal level investment opportunities and presenting them to the Kosovar diaspora. Presentation of such opportunities should be closely coordinated with central level institutions, especially IPAK, Kosovo embassies, and the Ministry of Foreign Affairs (MFA). In order to present and disseminate information to members of the diaspora, representatives from municipalities should take place on investment promotion events organized internationally by IPAK.
3. Offering financial incentives, to potential diaspora investors, such as: tax holidays, low loan interest rates, and etc. in addition, offering investment opportunities that are distinct and not easily replicated.
4. Enforcing the rule of law, which in turn encourages diaspora investments.
5. Improving the supply with electricity and water, which will decrease business overhead costs and increase competitiveness.
6. Improving road infrastructure by undertaking such projects throughout other parts of Kosovo, especially the road to Skopje.
7. Investing in the educational system and bringing closer the needs of the private sector with the teaching programs at both public and private educational institutions.
8. Investing on a database which contains at least demographic information of the Kosovo diaspora and contacts of potential diaspora investors.

Appendix 4 – Objectives of the Strategy for Diaspora and Migrants (2013 – 2018)

Objective 1 – Promotion of political and civil rights – The draft strategy mentions various steps through which the diaspora's political and civil rights ought to be promoted and strengthened. Firstly, there is a need for diaspora (political) representation in Kosovo's central and local institutions. Thus, the diaspora has to be allowed and encourage to take part in decision-making processes and policy-making processes. Secondly, an official register has to be created, where the diaspora's whereabouts can be identified. Thirdly, the female population of the diaspora needs to be encouraged to take part in diaspora engagement in Kosovo. Fourthly, especially during Kosovo's 'diaspora season', Kosovo needs to offer more information services to its diaspora. Last but not least, it is important to facilitate pensioners' return

to Kosovo. The Kosovar government has decided via a resolution that all pension- and social insurance agreements made during the Yugoslavian era have to continue to be valid.

Objective 2 – Identity preservation and strengthening (Kosovo’s) ties/relationship to diaspora – In order to strengthen Kosovo’s relation to its diaspora it is important to offer television and radio programs that refer to subjects concerning the Kosovar diaspora, such as investment success stories, etc. Furthermore, it is important to offer options for diaspora students to spent an exchange semester in Kosovo or even finish their studies in their country of origin. The report also identifies the issue of ‘diaspora and science’, encouraging to provide exact data on the diaspora’s challenges and potentials. Scientific research will help to gain more knowledge on how to tap on its diaspora’s economic-development potentials.

Objective 3 – Integration of diaspora members in their respective host countries – In order for Kosovo to maximize its diaspora’s effect on economic development, it is also important for Kosovo to identify where its diaspora is concentrated. Keeping this in mind, it is equally important for Kosovar local and central institutions to enter into cooperation/ (diplomatic) relations to local and central authorities and institutions in its diaspora’s host countries.

Objective 4 – Facilitating diaspora inclusion into (Kosovo’s) socio-economic development – The last main objective of the draft strategy addresses diaspora’s potential positive effect on Kosovo’s economic growth in detail. Firstly, Kosovo needs to promote interaction towards the subject of sustainable economic development and diaspora’s respective role in that matter. Secondly, promoting and raising awareness towards diaspora investment opportunities, and thirdly, facilitating diaspora investment procedures. Fourthly, promoting philanthropy, such as propagating investments success stories or organizing galas especially dedicated to diaspora’s contribution on Kosovo’s (economic) development. Fifthly, studies that identify a ‘professional diaspora profile’ need to be conducted. The studies should result in a brain-circulation- and brain-gain effect. Lastly, tourism is a widely untapped but very promising sector. In this case, any diaspora is the most faithful tourist of its country of origin, hence they should be engaged in developing tourism in Kosovo.

Appendix 5 – Key Questions Asked During Interviews

1. Can you please identify what kind of cooperation activities with the Kosovar diaspora does your organization undertake, if any? Could be studies, development projects, etc.
2. Could you identify some support/cooperation areas that your organization can contribute towards further establishing the cooperation and attracting Kosovar diaspora to invest in Kosovo?
3. What are some international practices on municipal bond issuance to the diaspora?
4. How feasible is for municipalities to issue bonds at this stage?
5. What are some legal and regulatory implications to such an economic undertaking?
6. What are your staff technical capacities related to the subject matter?
7. What is your level of cooperation with other relevant stakeholders, related to the issuance of bonds and other securities?

Appendix 6 – Interviews with Representatives from Local and Central Level Government Institutions

1. Naim Dedushaj, Director of the Department of Research and Investment Support of Diaspora, Ministry of Diaspora
2. Kreshnik Thaqi, Senior Investment Promotion Officer, Investment Promotion Agency in Kosovo / Ministry of Trade and Industry
3. Zeqir Kurtishaj, Director of the Directory of Diaspora, Municipality of Suharekë|Suva Reka
4. Sabedin Vllasaliu, Official for Economic Development, Municipality of Novobërdë|Novo Brdo

Appendix 7 – Interviews with Representatives from Non-profit Organizations

1. Dr. Veronika Hofinger, Economic Development Promotion Advisor, GIZ
2. Luan Gashi, Program Economist, USAID
3. Arjeta Lleshi, Program Officer for Economy and Employment, SDC
4. Sirje Poder, Team Leader Economic Development, EU Office

Appendix 8 – Interviews with Representatives from Business Support Organizations

1. Avni Mustafaj, Chief Executive Officer, National Albanian American Council (Washington DC, USA).
2. Nexhat Hasani, Director, Kosovo Exporters' Association (Pristina)
3. Shpend Balija, Chief Executive Officer, Association of Regional Development Agencies (Pristina)
4. Almir Hyseni, Director, Regional Development Agency East (Gjilan|Gnjilane)
5. Valbona Tahiri, Project Manager, Regional Development Agency East (Gjilan|Gnjilane)
6. Mrika Maliqi, Senior Project Manager, Regional Development Agency North (Mitrovicë|a)
7. Zarko Kovacevic, Senior Project Manager, Regional Development Agency North (Mitrovicë|a)
8. Diellza Gashi, Riinvest Institute, Leading Researcher, Riinvest Institute (Pristina)

Appendix 9 – Interviews with Representatives from Businesses

1. Rrustemi & Trade Products
2. Aerocom (Glllogoc|Glogovac Industrial Park)
3. EXIN (Glllogoc|Glogovac Industrial Park)
4. Gentifarm (Glllogoc|Glogovac Industrial Park)
5. Stone Castle (Rahovec|Orahovac)
6. ViPrint (Mitrovicë|a)
7. Vali Ranch (Gjilan|Gnjilane)
8. International Village (New York)

1. Gallatin Advisers LLC (New York)
2. Mabetex Group (Geneva, Switzerland)
3. Sinalco Kosova (Istog|k)

Appendix 10 – Focus Group in Washington DC, US

July 11, 2013

Participants:

1. Alban Pruthi, Operations Analyst, International Finance Corporation
2. Artan Ajazaj, Investment Officer, the World Bank
3. Behar Xharra, Analyst, Navanti Group
4. Bledi Celiku, PhD Candidate in Economics, Georgetown University
5. Mario Brataj, Research Analyst, the World Bank
6. Trimor Mici, Analyst on Doing Business, International Finance Corporation
7. Edon Vrenezi, Analyst on Energy, the World Bank
8. Rilind Latifi, KROLL, DC

Appendix 11 – Focus Group in New York, US

July 11, 2013

Participants:

1. Viktor Ula, Gallatin Advisers, LLC
2. Blerta Leci, Energy
3. Urim Lekaj
4. Alban Nevzati, Investment Bank, UBS
5. Naim Gllloxhani, Real Estate
6. Richard Lukaj, Bank Street
7. Behar Xharra, Navanti Group
8. Skender Ghilaga, SGI-INC
9. Edmond Coku, Entrepreneur
10. Etrita Ibroci, Credit Agricole Cheuvreux
11. Avni Mustafa, NAAC

Appendix 12 – Focus Group in London, UK

July 16, 2013

Participants:

1. Indira Kartallozi, Chrysalis's Family Future
2. Luan Rragami, BT Telecom
3. Lida Rragami, BT, AWN (Albanian Women Network)
4. Fatos Zhubi, Jeta Foods
5. Remzi Hoxha, Jeta Foods
6. Naim Hajdarmataj, Detergjente
7. Shkelqim Tmava, Julian Hand Car Wash
8. Arben Nura, Komptek, IT
9. Beqir Shillova, British Albanian Kosovar Council
10. Ardian Zbergjija, Chauffeur/ Industry
11. Besim Gerguri, Web developer
12. Petrit Kuçana, director of the Albanian newspaper
13. Lavdrim Krashi, London Borough of Brent
14. Florentina Bela, London Borough of Brent
15. Elson Bajrakurtaj, UK Power Networks
16. Rema Duli, B.E.N.
17. Nami Llapi, Incurve Construction

