<table>
<thead>
<tr>
<th>Project Title</th>
<th>Diaspora Engagement in Economic Development (DEED)</th>
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| Expected Outputs: | 1) An increased gender-sensitive access and literacy of remittance receiving households in Kosovo to financial services in order to promote the accumulation of local savings and investment;  
2) Models and mechanisms that facilitate migrants' investment and savings in Kosovo are identified and piloted;  
3) Evidence-based policies created by Kosovo authorities who have improved capacity to produce and manage information related to migration and development, including gender disaggregated data |
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IOM Kosovo |
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- UNDP: Euro 116,000  
- Government of Finland: Euro 1,125,382  
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  - Norway: Euro 9,000 |

Agreed by UNDP: 

Agreed by IOM:
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1. SUMMARY

The overall objective of the project is to enhance the contribution of diaspora to poverty reduction in the short-term and to sustainable, gender equitable local economic development in the long-run.

This objective will be achieved through three specific outputs. Each output targets different beneficiaries: the first output focuses on remittance-receiving households whereas the second output targets members of the Kosovo diaspora and Kosovar migrants. The third output targets mainly Kosovo authorities who benefit from the first two outputs as well. The project’s three specific objectives are:

1) An increased gender-sensitive access and literacy of remittance-recipients and senders to financial services in order to promote the accumulation of local savings and investment;
2) Models and mechanisms that facilitate migrants’ investment and savings in Kosovo are identified and piloted; and
3) Evidence-based policies created by Kosovo authorities who have an improved capacity to produce and manage information related to migration and development, including gender disaggregated data.

The project will be implemented in a 3 years’ timeframe jointly by UNDP and IOM. The project uses the pass-through funding modality, where programmatic and financial accountability rests with the participating organisations as per work plan, but where donor funds are channelled through an Administrative Agent.
2. BACKGROUND AND RATIONALE

2.1 Background
Migration has been an important force in the shaping and reshaping of Kosovar society for decades, if not centuries, and with the persistent economic malaise and high unemployment this is not likely to change in the foreseeable future. Much of the history of Kosovo has been marked by in and out flows of different peoples, but these fluctuations have been particularly marked in the recent decades. Civil, political, and socio-economic unrest has lead to various waves of emigration and internal movements that continue to have profound impacts on the prospects for sustainable development in Kosovo. In fact, research conducted in 2008 suggests that migration intentions actually increased in the months after the declaration of independence from a low of 20% of the population doubling to 40%1.

The Riniwest Institute reported in 2007 that the Kosovo diaspora was composed of approximately 315,000 Kosovar Albanians and 100,000 Kosovars of other ethnicities2. Most of these live in Western European Countries, specifically in Germany (39%)3, Switzerland (23%), Austria (7%), Sweden (5%), and Great Britain (4%). According to the Kosovo Remittance Survey 2011, 15% of migrants were women.4 Generally, Kosovars left in three main waves of emigration. The first wave began in the 1960s when, due to labour shortages in the fast growing economies of post-war Western Europe, Kosovars, then citizens of the Socialist Federalist Republic of Yugoslavia, were given the opportunity to legally work and live in countries like Switzerland and Germany. The second wave took place in the 1990’s after Kosovo’s autonomous status was revoked and Kosovan Albanians were required to sign loyalty oaths to the Milošević government or leave their positions at socially-owned enterprises and public companies. This wave accounts for the majority of emigrants, some 59%, but was dominated by irregular migration. Nonetheless, this exodus followed the migration networks forged in the previous period pointing to the connections that still persist between the diaspora and resident Kosovars as the former continued to play a role in directing the outflow of the latter. The last wave was that of refugees fleeing the conflict between 1998 and 1999. Such a long migration history means diaspora communities are well established while the recency of the last two waves implies a high degree of connection with the communities of origin. Both point to the great potential for active engagement of the diaspora in the development of Kosovo.

One mode of support by the diaspora communities to the Kosovo economy is remittances. Remittance transfer may be made on a regular basis, sporadically or only in the event of crises, emergencies or special events. Analytical studies have shown that remittances play a crucial role in supporting the economy of Kosovo. Kosovo Remittance Study 20106 estimates that remittances increased the GDP of Kosovo by 11 percentage units in 2009. Remittances are an important source of income for households in countries of origin. Kosovo Remittance Study shows that 20% of the households receive remittances, and among the remittance receiving households, approximately 40% of the average monthly income is due to remittance contributions. Moreover, when comparing remittance-receiving and non-receiving households, the Kosovo Remittance Study found that remittance receiving households report lower average monthly incomes, higher unemployment rate as well as lower educational attainment. While remittances contribute to the short-term survival and well-being especially of poor and vulnerable households, and remittances can be seen as an essential tool for poverty-reduction, keeping in mind the possible negative impacts of remittances. There is a danger of creating remittance dependency both on the household and national levels. Also, remittances may entail the so called “spoil effect” on individual behaviour, which implies that remittances reduce the willingness to join labour market.

Within the debate on migrants’ contribution to the development of their countries of origin, the flows of financial resources that migrants send back home are those that have received the greatest attention and

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1 Iñjews, Artjoms and King, Roswitha M.. Kosovo: Winning Its Independence but losing its people? Recent evidence on emigration intentions and preparedness to migrate. 2009
2 Riniwest Institute. Diaspora and Migration Policies. 2007
3 3% of the total number of Kosovars living abroad
4 Kosovo Remittance Survey 2011. UNDP. 2011
5 Kosovo National Strategy on Migration
6 Kosovo Remittance Study 2010. UNDP and USAID. 2010
for the longest period of time. The volume of remittances has reached great amounts, raising questions about how remittances travel between countries through formal or informal channels and about the use of remittances for saving and investment rather than for consumption. Additionally, migrants' savings have a great deal of developmental potential. Another study on the saving behaviour and investment potential of migrants found that the total pool of savings accumulated abroad by Kosovar migrants is as much as 5.57 times higher than the amount of remittances over the same period. This finding points to the fact that the full potential impact of migrant and diaspora investment on the economic development of Kosovo remains largely untapped.

Conversely, the main push factors that have driven Kosovars abroad persist. Though political instability and violence contributed to the latter waves of emigration, many of these refugees and asylum seekers have returned to Kosovo after the end of the conflict in 2000, thus those Kosovars that remain abroad are often economic migrants. According to the above mentioned remittance survey 42.9% of remitters emigrated for economic reasons. With unemployment persistently above 40% and youth unemployment in particular above 70%, the push to seek better futures abroad persists. Especially when considering that Kosovo has one of the youngest populations in Europe with some 200,000 youths expected to join in the next five years an already saturated labour market, emigration remains one of the few options for securing a decent livelihood for many.

2.2 Key challenges
The main challenges that arise from the discussion and research on remittances, migration and development in Kosovo are the following:

1. The developmental impact of remittances remains limited

Remittances transferred to Kosovo, while having a positive effect on poverty reduction, have not fully realized its potential impact on the economic development of Kosovo. Part of this challenge is due to how remittances are transferred and how they are used. In the first regard, a potential multiplier effect of remittances on the financial system in Kosovo has not been realized due to the wide spread use of informal transfer channels. Second, the potential multiplier effect of employment creation has not been realized due to the fact that most of the remittances received in Kosovo are used for consumption, often of imported goods.

The financial sector of any country plays an important role in mobilising savings, creating access to credit and contributing to development. However, in developing countries, the financial sector often lags behind in terms of its level of development. In Kosovo, the financial sector offers a limited range of products to clients, and a concentration of commercial banking tends to keep fees high. To the disadvantage of local companies and enterprises, interest rates are higher than in neighbouring countries. To the impediment of households, high bank fees prevent the use of daily banking services such as bank transfers or the use of savings accounts, while maintaining the informality of financial transactions. For example, saving the cash received as remittances from abroad is a challenge. If a larger share of remittances would come through bank transfers, these funds could contribute to expanding the deposit base of banks, which in turn would put more pressure on banks to provide credit.

According to the Kosovo Remittance Study 2010 results, more than half of remittances are transferred to Kosovo via informal channels, typically personally by migrant. Only 16% of remittances are transferred to Kosovo through banks, Money Transfer Agencies (MTA) (23%) being more popular than banks (Figure 1). As a result, remittances are not directly contributing to the development of the banking sector in Kosovo. Moreover, on a household level, remittances channelled through bank accounts could encourage savings

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1. IASCI, Kosovo Market Analysis: Maximising the Development Impact of Migration-related Financial Flows and Investment to Kosovo. 2010. Available at www.iasci.info
and enable a better match for savings and investment in the economy in contrast to cash transactions. Savings can be better targeted to specific uses such as school fees or medical bills.

Figure 1. Channels of remittance transfers, Kosovo Remittance Survey 2010

The reasons for the low use of bank transfers are several.

- **Proximity:** Most of the Kosovar migrants reside in Western Europe — according to the Remittance Survey, 65% of the surveyed migrants had migrated to Germany, Switzerland or Italy — where travel to Kosovo by air or car is accessible and fairly inexpensive. As a result, migrants often visit Kosovo, sometimes on a yearly basis, and bring cash with them in person. Migrants may prefer this method for various reasons including: 1) the low cost, 2) the certainty of delivery, and 3) the opportunity to tangibly demonstrate their success abroad to friends and family back home.

- **High prices:** Another reason is the high transfer fees charged by local banks. As discussed in the Country Economic Memorandum (CEM) by World Bank (2010), cost is usually not an issue in large remittances (made for the purpose of trade, investment, or aid), because, as a percentage of the principal amount, it tends to be small. Considering that remittances are small, individual transfers, remittance costs are high—unnecessarily so. High fees place a financial burden on the remitters, who would thus prefer to transfer remittances informally. Similarly, according to the Remittance Survey results, an average transfers though MTA’s was 1,977 EUR, in contrast to an average transfer by person, which was 1,363 EUR. These results indicate that the formal transfer channels are expensive, especially in connection with smaller remittances transfers, which are more likely to be channelled in person.

High fees are maintained by a weak competitive environment in the remittance market, lack of access to technology-supporting payment and settlement systems, and burdensome regulatory and compliance requirements. Bank fees tend to be higher in corridors in which bank concentration is high and competition low. Also, specifically in the case of Kosovo, high bank fees are likely due to the fact that Kosovo is not part of the IBAN bank account system, which burdens the payments system. In order to make payments to and from Kosovo, Kosovar banks use intermediary banks in other European countries for settling cross-border payments.

Competition in the remittance market could be increased by lowering capital requirements on remittance services and opening up postal, banking, and retail networks to nonexclusive partnerships with remittance agencies. In addition, government should avoid overregulation, excessive monitoring, or reporting requirements that could drive out smaller competitors that lack the economies of scale to absorb the cost of compliance. Disseminating data on remittance fees and establishing a voluntary code of conduct for fair transfers would improve transparency in remittance transactions.
Reducing the cost of remittances is a promising area of policy intervention for several reasons. First, it will stanch a drain on the resources of migrants and their families back home. Second, it will increase flows through formal channels, especially banks, and further support the accumulation of local savings. Third, it will improve financial access for the remittance-receiving households and migrants as well.

- **Lack of financial literacy**: Financial literacy can be defined broadly as the capacity to have familiarity with and understanding of financial market products, especially rewards and risks in order to make informed choices. Financial literacy is linked to general education level. As the remittance survey shows, remittance-receiving households are less educated than non-receiving households. The lack of educational attainment is likely to coincide with financial illiteracy and the lack of financial knowledge which impedes the use of banking services. The increase of financial literacy of remittance receivers is not only likely to increase a more sustainable use of remittances but also contribute to the economic empowerment of poorly educated households. Given that most financial decisions within the household are taken by the men, women are put in a more vulnerable position with less access to financial services. Raising awareness through communication and financial training therefore empowers remittance receiving households to make informed choices about how they transfer money. Greater information about ways in which remittances can be utilised also gives senders and receivers the possibility to choose from a wider set of options, which may include productive forms of investment and/or savings in capital markets.

- **Risk of confiscation of deposits**: Kosovars still remember the confiscation of deposits by the Government of Serbia, which took place in 1998 during the conflict. The risk of another confiscation naturally increases the reluctance to use bank services especially that Kosovo has been without a deposit guarantee scheme. However, the Central Bank of Kosovo together with IMF and World Bank are currently working on Deposit Insurance Scheme, which will be enforced in 2012.

This project will explore the ways to increase the banking sector involvement in the remittance transfer. Incentivising migrants to send money via formal remittance channels will increase the access of remittance receiving households to financial services and further support the increase of savings in Kosovo. Financial literacy will be used as a tool to empower individuals, women and men, so that they can evaluate their options in the financial marketplace and then take appropriate actions in their own self-interest.

Another Kosovo Remittance Study finding that indicates a potential for increasing the development impact of remittances is that almost half (46%) of remittances are used to cater for the basic needs of migrant families and for consumption, and not that much for longer-term income generation purposes of the families, such as investment or saving (Figure 2).

![Figure 2. The use of remittances, Kosovo Remittance Survey 2010](image-url)
Although the consumption expenditure contributes to the welfare of families and communities, there is also a risk of it being counterproductive for development when it increases local dependency on remittances, fosters the demand for imported goods that in turn stifles local production, and limits the amount of financial resources that are devoted to more productive uses.

Although 11% of remittances were dedicated to business investments and another 9% for savings in Kosovo, higher levels of savings and investment as well as more effective consumption e.g. to education, would leverage the sustainable impact of remittances to local economy, making a greater contribution to the development of Kosovo.

2. The conditions for allowing migrants to safely and effectively invest in Kosovo are lacking

The potential of migrants’ savings accumulated abroad to the economic development of Kosovo remains largely untapped. According to the studies by IASCI, migrants save on average 35% of their net HH income, in addition to the remittances sent over to Kosovo. Also, the same study estimates that migrants’ savings are 5.5 times higher than the amount of remittances sent to Kosovo annually.

An important element in the effort of enabling the migrants’ and returnees’ saving and investment in Kosovo is a viable business environment. Examples in other countries show that investments from the migrants or remittances have proven to fuel the economy if supported by business-friendly environment and flexible financial sector. Three main barriers that are usually mentioned by businesses in Kosovo are unreliable electricity and water supply, insufficient rule of law, and limited access to finance.

Indeed, one of the key constraints to economic development in Kosovo that this project aims at addressing is the access to finance for Kosovar businesses and entrepreneurs, this being especially difficult in case of women run businesses and entrepreneurs. Interest rates are on a very high level in Kosovo, climbing up to 25%, and even so, banks in Kosovo are reluctant to grant loans due to risk averseness. Interest rates reflect the high levels of risk in Kosovo, resulting from poor quality of business plans, the risk of confiscation of collaterals and the lack of cadastral documentation, but also from the “over-ambitious” entrepreneurial spirit of Kosovars. In addition, weak enforceability of contracts, which is also one of the main concerns to companies and investors, tends to keep interest rates high. High interest rates are however not resulting from the liquidity problems of banks. On the contrary, the local deposit market is buoyant, and the banks in Kosovo have large liquidity reserve. While the deposits stand at 1.9 MEUR, loans are only 1.5 MEUR. The small number of loans is the major reason for hampering the private sector development in Kosovo, and further the creation of jobs.

As mentioned previously, poverty, unemployment and demographics will continue to drive Kosovo’s economic migration. Indeed, IASCI’s recent household survey shows that 54% of 18- to 40-year-olds want to leave Kosovo.

Migrants go abroad in order to search for better work opportunities, get an education, save money during their stay abroad, and return to their country of origin with better prospects and opportunities. IOM’s research shows that 46.4% of Kosovars with intention to emigrate in the following six months wanted to emigrate to take up employment, as compared to 26.4% that reported that they planned to leave for family reasons.

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9 IASCI. Kosovo Market Analysis: Maximising the Development-Impact of Migration-related Financial Flows and Investment to Kosovo. 2010. Available at www.iascinfo
10 World Bank Country Economic Memorandum 2010
11 EC progress report 2011
12 Businesswomen are often unable to meet the requirement to provide property as collateral during loan applications, because most of Kosovo property is registered under the names of men (husband, father, or brother) and only in very special cases (in women headed families) women own property in their own name.
14 IASCI. Kosovo Market Analysis: Maximising the Development-Impact of Migration-related Financial Flows and Investment to Kosovo. 2010. Available at www.iascinfo
15 IOM. Labour Migration Patterns, Policies and Migration Propensity In the Western Balkans. 2009
Those Kosovar migrants who wish to return and invest in Kosovo, regardless of their length of stay abroad, want to ensure favourable living conditions upon their return and to contribute to their families' quality of life, while also supporting local and regional development. Yet despite these admirable ambitions, migrants still face common barriers to accessing credit that would facilitate the achievement of their migration-related goals, including:

- **Migrants’ access to credit in destination countries is restricted and/or limited:** Migrants are often unaware or not able to meet criteria needed to take out a loan because they are new to the host country and have little resources or credit history at their disposal. Additionally, those migrants who are able to take out loans may only be able to get limited or restricted amounts, rather than the amount that is actually needed. Lastly, migrants may be discouraged or unable to take out loans for investment abroad as banks may believe that once migrants are able to take loans out for investment in the country of origin, they will return there and not repay their loans.

- **Lack of acceptance of foreign collateral:** Migrants working in a host country are often there on a temporary basis and do not have access to adequate collateral in the host country to secure a loan. Yet some migrants may have the necessary collateral to offer to backup their loan - but in the country of origin. Usually banks are not willing to accept such collateral because of the risks related to verification and confirmation, as well as inabilities to secure the collateral in cases where migrants are unable to satisfy the repayment conditions of loans.

3. Existing policies or services do not encourage migrants’ investments or return

Studies show that migrants are concerned about the poor investment and economic climate that currently exists in Kosovo. They complain about corruption and red tape and ask for business-friendly policies that will support their investments. In addition to that, the general trust level in government is low, and migrants feel that much is expected of them to help develop Kosovo, while very little is done to actually facilitate that process. Consequently, a qualitative improvement in the policies and governance surrounding migration is needed, if migrants’ return and investments are to be enabled. Moreover, today there is no systematic mechanism that provides migrants with a broad range of targeted public and private sector services and support for achieving their migration-related objectives and goals – and return successfully.

The need for effective evidence-based policies is urgent. However, there remains a dearth of adequate data and a lack of capacity and coordination among the Kosovo institutions for elaborating such policies. The figure for the size of the diaspora varies from 400,000 to 800,000. While this year the first national census since the end of the conflict has been conducted, this does not include any statistical mechanisms for calculating the population abroad. Furthermore, effective evidence-based policies are essential to Kosovo’s future in the European Union. Providing the necessary framework for ensuring sustainable rights-based return and reintegration of returnees as foreseen by the readmissions agreements and Law on Readmissions approved by the Kosovo Assembly, these policies are a required step for entering into visa liberalisation dialogue with the EU. In order to create evidence-based policies and mechanisms to manage and benefit from these movements the government needs to have accurate data, which hitherto has not been compiled.

2.3 Project strategy

The main development focus of the project is on poverty eradication in the short-term, fuelled by migrants’ remittances, and investment promotion in the long-term, migrants and the Kosovo government as a target groups.
In the short term, remittances are seen to eradicate poverty effectively. Studies have shown that remittances are a major mechanism for reducing poverty in Kosovo by notably raising the income levels of the poorest households. According to the Kosovo Remittance Study 2010, remittance-receiving households report lower average monthly incomes, higher unemployment rate, as well as lower educational attainment. In addition to that, households in rural areas as well as households headed by women are more likely to receive remittances compared to households that reside in urban areas or that are headed by men. Remittances thus alleviate poverty especially of the most vulnerable households, targeting especially the most vulnerable households residing in areas with less access to health and education services.

Moreover, remittances not only contribute to the wellbeing of Kosovar households and the livelihoods of men and women, but they also have a larger impact on the Kosovo economy. In 2009, the contribution of remittances to the GDP of Kosovo was 11%. Kosovo has a small open economy driven mainly by consumption growth and high public investment. Kosovo has the lowest level of domestic production and the highest rate of unemployment of all the countries in the Balkans, and due to limited productive capacities, Kosovo continues to import significant amounts of goods and services. In 2009, the value of exported goods covered only 8.5% of the value of imported goods. Thus, Kosovo's economy faces a trade deficit at the value of 46% of its GDP. If it were not for external injections of cash such as remittances, Kosovo would be constrained to import goods and services only at the level that its domestic economy could afford. Considering the low base of exports and relatively low income from investment, the inflow of remittances contributes to the improvement of the current account balance (which, excluding government transfers amounted to 27 percent of GDP in 2009).

Kosovo’s economy faces many structural constraints which frame the present socio-economic conditions. According to the latest Labour Force Survey, unemployment rate remains high at 45.4% in 2009. Additionally, low participation of women and youth within the labour force raises concerns over the marginalisation of many working-age Kosovars due to structural deficiencies within the labour market. Under the conditions of low domestic production and high unemployment, financial assistance to Kosovar families from abroad is of major importance to Kosovo’s development prospects because it alleviates the difficulties Kosovo will face until it manages to achieve sufficient and sustainable economic growth.

While this project welcomes the significant contribution of remittances to the economy of Kosovo and especially to the support of less prosperous households, it addresses the need to shift away from a track where Kosovo economy becomes dependent on remittances in the long term. To leverage Kosovo’s long migration history to create sustainable economic development, the diaspora must be engaged as full development actors. This means enabling and facilitating the investment of wealth accrued abroad into projects and enterprises that have a direct multiplier effect in the Kosovo economy. As mentioned previously Kosovo migrants save up to 5.5 times as much money abroad as that which they remit, so the potential impact of migrants’ savings on the Kosovo economy is great. Even though for all the reasons previously mentioned the full potential of this money has not been realised, 25% of businesses surveyed in Kosovo in a recent study reported having been started with partial or complete funds generated from abroad (either from their own work, work of their family members or both). The project will pilot models that will work to lift some of the barriers and incentivise this type of investment.

Migrants and diaspora not only have monetary wealth to contribute to Kosovo but also a wealth of knowledge and experience in operating at different levels within complex developed economies. Around 63% of the Kosovar diaspora emigrated because of their financial situation and 46.4% of those planning to emigrate report that it is related to work, thus ensuring viable economic opportunities is the only way to encourage a voluntary return in dignity for members of the diaspora and to mitigate the effects of brain drain. Through the establishment of mechanisms assisting migrants, diaspora, and their families to establish income generating activities, the project will indirectly contribute to creating the necessary

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16 Forum for Democratic Initiatives. Diaspora as a driving force for development in Kosovo: Myth or Reality?. 2009
17 IDM. Labour Migration Patterns, Policies and Migration Propensity in the Western Balkans. 2009
conditions for their return and participation in the Kosovo economy. This “return,” however, need not be permanent or even physical. The proximity of the largest diaspora communities, in Germany, Austria, and Switzerland, to Kosovo facilitates the management of transnational enterprises, meaning diaspora entrepreneurs do not need to give up their well established lives in their countries of migration to contribute their wealth to the economy. By stimulating the economy and generating employment for residents rather than just smoothing consumption, this kind of engagement breaks the cycle of remittance dependency creating local opportunities and a conducive environment for voluntary return of skilled Kosovars. Further, while it is expected that with time remittances decline in relation to the level of integration of the diaspora, transnational commercial activities have the potential to increase as more established members of the diaspora have more disposable income for such investment.

2.4 Target Beneficiaries
The project has three primary groups of beneficiaries:

Remittance-receiving households will benefit from the project several ways. Remittance-receiving households will get access to affordable financial products and services, and through the increased financial literacy activities targeted households will increase their knowledge and understanding that allows them to make informed and effective decisions on finances. Remittance-receiving households will be enabled to allocate some part of received remittances for savings, the accumulation of which will empower the remittance-receiving households to use these savings e.g. for investments in business or education. Moreover, by creating incentives for investments, the project will benefit the communities in the areas where remittance-receiving households are residing, by contributing to the creation of more job opportunities. The project will put specific focus on the most vulnerable groups among remittance-receiving households, i.e. on women headed households and households in rural areas. Remittance-receiving households will be involved in the identification of the piloted models and financial literacy campaigns through focus groups.

Diaspora and migrants will be direct beneficiaries of the schemes for facilitating financial transfers both in the form of remittances and investment. Both members of the Kosovo diaspora, which includes Kosovars with permanent residency in their country of migration as well as second and third generation Kosovars born abroad, as well as current and future Kosovar migrants that may have only temporary work permits stand to benefit from the project outputs. Studies have shown a high degree of interest among these groups to invest in their country of origin. Specifically, 27% plan to invest in their children’s education, 22% plan to invest in a business or agriculture, and 18% plan to purchase or build a house. While members of the diaspora community are generally well integrated into their country of migration, more recent migrants will also be a key target group that will benefit. While the general profile of Kosovar migrants are working age males, due to family reunification there is still a large contingent of women among the diaspora and these will be particularly targeted for participation in the project activities, including providing input during feasibility studies to ensure that models reflect their needs and interests. Diaspora and migrants will play a crucial role in the development of the models and financial products to be piloted. They will be engaged through questionnaires and focus group meetings organised in the country of migration as well as in Kosovo.

The capacities of Kosovar authorities will be strengthened to more effectively address the needs of diaspora and migrants and to create linkages with them, as well as to provide information on remittances. The different authorities, who will at the same time act as project stakeholders, are discussed more in-depth below.

19 IOM. Labour Migration Patterns, Policies and Migration Propensity in the Western Balkans. 2009
2.5 Stakeholders

The Kosovo Ministry of Diaspora (MoD) was established in May of 2011. Though the ministry is still in the process of consolidation, it has already demonstrated an eagerness to collaborate with relevant stakeholders in the field in order to achieve concrete results for the benefit of their constituency at home and abroad. The MoD is very anxious to implement concrete measures that will assist the diaspora and facilitate their investment as this will help to cement the ministry’s position vis-à-vis other ministries of the Kosovo government as well as Kosovo’s citizenry abroad. The models that this project envisages piloting will thus have a direct benefit to the MoD.

The Central Bank of Kosovo (CBK) is one of the key institutions in Kosovo that produce information on remittances. The CBK provides regular estimates of remittance transfers to Kosovo as part of their quarterly Balance of Payments bulletin. The method the CBK uses in estimating the volume of remittances is based on International Transaction Reporting System (ITRS), which identifies all the payments based on their description. Information is obtained from Money Transfer Agencies as well as from Kosovo Customs (for in person transfers). Moreover, ATM withdrawals are considered. For instance, in the case that the migrant provides the household with a foreign debit card and the household uses the debit card to withdraw money in the ATMs in Kosovo (models exist for identifying which part of ATM withdrawals is remittances and which part is just a usual withdrawal from a non-resident). As the estimation of remittances is heavily based on models and assumptions, Central Bank has been very cooperative in developing additional estimation techniques that are based on surveys. In this regard, the CBK has supported the Kosovo Remittance Study activities by UNDP; the first Kosovo Remittance Study 2010 was launched together with the Central Bank, and the questionnaire for the second Kosovo Remittance Survey 2011 was revised in close collaboration with the CBK. Moreover, the CBK has personnel dedicated to the research on remittances. A recent research paper analyses the determinants of remittances, as well as the potential of diaspora to investment in Kosovo. Finally, during the drafting phase of the DEED project, the CBK has provided useful comments.

Statistical Office of Kosovo (SOK) is one of the main stakeholders for the project, because of the Household Budget Survey (HBS), which provides a sustainable platform for the Kosovo Remittance Survey. SOK has produced the HBS every two years since 2002, and the aim of this publication is to provide statistical data on standards of living in Kosovo, mainly with respect to household budget, and poverty. HBS is welcomed in providing statistical data related to income, consumption and other similar issues related to household standard of living in Kosovo, and that’s why the HBS could incorporate additional questions related to remittances. UNDP has long working relation with the SOK.

Other Kosovo authorities that have been active in participating in the discussion on migrants’ involvement in the economic development of Kosovo are the Ministry of Finance, Ministry of Economic Development, and Ministry of Trade and Industry. The two previous organizations have actively contributed to the Kosovo Remittance Survey 2011 questionnaire, and the ministries will have a role when defining the National Strategy for Diaspora. The Ministry of Finance will also be a key partner in evaluating the regulatory framework in which proposed financial products will have to operate. Additionally, the Ministry of Trade and Industry may also be involved in facilitating advisory services on business plans or start ups as well as participating in outreach among the diaspora through the ministry’s Investment Promotion Agency of Kosovo (IPAK). The Small and Medium Enterprise Agency of Kosovo is also a part of the Ministry of Trade and Industry and will also be a key potential partner in the field of facilitating entrepreneurship through their joint Business Start-Up Centre in Pristina in which they cooperate with the NGO SPARK and the Kosovo Chamber of Commerce.

Financial sector actors in Kosovo and in countries of migration are important partners of the proposed intervention. Banks and other providers of financial services will be provided with analyses of different models, which assess the feasibility of these models in Kosovo. The participation of banks in the development of financial products and mechanisms will be of vital importance to ensuring the

sustainability of the intervention; because of this, consultations with the local banking sector have been ongoing throughout the development of the project. Through these consultations it has been confirmed that there is a great deal of interest on the part of local banks to reach out to the Kosovar diaspora as these represent a very reliable and wealthy market sector. Through the proposed models, such as the IGF-KOS, these financial institutions will be able to incorporate these into their clientele base. In particular, the Association of Microfinance Institutions of Kosovo (AMIK) is seen as a potential partner in several of the models to be developed as they are experienced in tailoring microcredit products to facilitate investments of specific target groups.

**Swiss Development Cooperation (SDC)** in Kosovo is committed to pursuing cooperation with Kosovo authorities in the area of migration, with the objective to increase the positive impact of migration on development. In March 2011, SDC started an inception phase of a Diaspora for Development (DfD) project, with the main goal of ensuring that the diaspora invests resources (know-how, financial, experience) in social and economic initiatives in Kosovo. The project comprises of the following specific objectives: 1) Good relations between diaspora and Kosovo authorities, 2) Favourable migration and investment policies for diaspora, and 3) Diaspora is well informed on services and resource transfer options. The DEED project will work closely with the DfD project in order to align the planned activities towards Kosovo authorities as well as to benefit from synergies with the DfD project.

### 2.5 Alignment with national and development partners strategies

**National strategies**

In light of the fairly recent creation and ongoing consolidation of the Ministry of Diaspora there are still little public policy dealing with this constituency, however the proposed intervention does support the few policy documents that are in place. Firstly, in September of 2009 the Ministry of Internal Affairs (MIA) adopted the National Strategy and Action Plan on Migration (NSAPM) in which IOM is an active partner. The proposed intervention contributes to the first strategic objective of the NSAPM and in particular to specific objective 1.3, *Inclusion of Kosovar Diaspora in policy development and implementation for remittances and attraction of investments*. Within the action plan the specific object is meant to be achieved through two activities; 1.3.1. *Development of a unified register for the data of Kosovo diaspora* and 1.3.2. *Promotion of investment priorities for diaspora in concrete development projects in Kosovo*, for the latter IOM is clearly indicated as one of the “Responsible and Supportive Institutions.” Furthermore, the NSAPM specifically mentioned the following roles which remittances play:

1. Help in poverty reduction;
2. Smoothing consumption;
3. Help with small entrepreneurial investments;
4. Increasing recipients’ savings.

In April of 2010, the Assembly of Kosovo passed the Law on Diaspora (LoD) which had the intended scope of promoting the organisation of the Kosovar diaspora and developing intercultural relations between the diaspora and their countries of residence. The law foresees the creation of the Kosovo Diaspora Agency within the Office of the Prime Minister and the establishment of Kosovo Cultural Centres on Diaspora (KCCD), however with the establishment of the Ministry of Diaspora these will be subsumed within this new institution. Though engagement in economic development is not directly mentioned in the purpose of the law, within the responsibilities of the proposed KCCDs it is mentioned that these should provide information on and promote investment of diaspora in Kosovo.

While the Ministry of Diaspora has yet to develop the requisite legislation and policy documents such as the upcoming National Strategy on Diaspora, since its establishment in 2011 it has identified three priorities for their work with the Kosovar diaspora: 1) to provide institutional support to the diaspora in order for them to preserve their culture and heritage, 2) to assist the diaspora to integrate in the place that they live as well as to assist in the integration of those that choose to return to Kosovo, 3) and to incorporate the diaspora in the economic development of Kosovo not only through the transfer of funds
but also of knowledge and experience. The proposed intervention will contribute directly to the third priority thus defined.

**Finland’s development policy**

The project is aligned with Finland’s development policy, which is outlined in the “Finland’s Western Balkans Development Policy Framework Programme (2009–2013)”.

The main development focus of the project is on poverty eradication and investment promotion, as articulated in the project strategy. The project supports poverty eradication by promoting economic and commercial activities in Kosovo, leveraged by migrants’ remittances, as well as facilitating migrants’ saving and investment in Kosovo. The project will focus especially on increasing the economic opportunities of the most vulnerable groups: a) among remittance-receiving households, who according to studies are in general more vulnerable than non-receiving households, given their on average lower monthly incomes and educational attainment as well as higher unemployment rate, and b) among households in rural areas, by leveraging synergies e.g. with the Finland funded Dragash project, as well as aims at increasing the economic opportunities for women.

The project will indirectly address the greatest of Kosovo’s development challenges, unemployment. In order to improve the employment situation it is necessary to increase the number of jobs. By enhancing investment, the production capacity will potentially increase, which will lead to job creation. Moreover, improved employment prospects will decrease the tensions that are due to economic distress and further increase the stability in the region.

On the other hand, investments cannot be promoted without improving the business environment. As several reports and experiences in other countries show improvements in the business environment have provided a basis for migrants or remittance-receiving families to invest. The project will tackle one of the main constraints for commercial activities, lack of funding, by promoting flexible financial sector in Kosovo together with the financial sector as well Kosovar authorities.

**European Commission**

Moreover, the project is aligned with the visa liberalisation dialogue to be initiated between the European Commission (EC) and the government of Kosovo; youth, among whom unemployment is especially severe, are particularly inclined to migrate to countries with better opportunities for employment. Visa liberalisation in the current situation would likely result in increased migration to Western European countries, which already have existing migration networks for Kosovar migrants. In light of this, measures that are aimed at improving the conditions for job creation and supporting self-sufficient and sustainable local development, will increase the chances of Kosovo to negotiate with EC.

Finally, and arguably most importantly, the project will contribute to supporting the fundamental rights of Kosovars at home and abroad. Acknowledging the huge diversity of migratory experiences, the project takes a rights-based approach by increasing the opportunities and capacities of migrants, diaspora, and their families to participate in the economic life of their communities of origin and/or residence. Firstly, by contributing to the eradication of poverty among rural communities and vulnerable groups, the project aids in the effective enjoyment of these populations of their right to an adequate standard of living as laid out in article 11 of the International Covenant on Economic, Social, and Cultural Rights (ICESCR) which Finland ratified on 19th of August of 1975. Article 6 of the same also describes the right of persons to gain their living from freely chosen work, which is supported by the project’s facilitation of investment in income generating activities. Furthermore, by creating the conditions for a return in dignity for migrants that were forced to leave their home due to economic hardship the project also supports article 12 of the International Covenant on Civil and Political Rights (ICCPR), ratified by Finland at the same time as the ICESCR. On the other hand, while there is debate over the kinds of rights that should be afforded ethnic immigrants as opposed to national minorities, diaspora communities can be considered ethnic minorities in their country of migration to be protected under articles 26 and 27 of the ICCPR. By supporting the Kosovar diaspora to reach their savings and investment goals while strengthening their links to their communities of origin the project also strengthens its members’ ability to enjoy these rights. In the same fashion, these
actions support the protections laid out in the International Convention on the Elimination of All Forms of Racial Discrimination (CERD) which Finland ratified on the 14th of July of 1970. This rights-based approach to migration and development centres on the needs and interest of migrants and their families in the while seeking to achieve win-win arrangements between countries of origin and migration.

2.6 Project Partnership Strategy
IOM Kosovo and UNDP Kosovo have joined efforts in order to maximise resources and avoid duplication of efforts in the field of migration and development. As a core element of their mandate, UNDP’s focus will be working on poverty reduction among the most vulnerable groups through assisting remittance receivers to utilise these transfers more efficiently and effectively. UNDP will continue the work it has been undertaking in regard to remittances in Kosovo and build on this to enhance the impact that these have. As migration and development is central to IOM’s mandate, it will focus on facilitating sustainable economic growth by working with the Kosovo government on developing and establishing mechanisms which allow for the transfer of capital and knowledge acquired through migration into production enterprises in Kosovo. To this end, IOM will leverage its expertise and experience from around the world to develop innovative mechanisms for engaging the diaspora in the development of their communities of origin.

2.7 Existing activities: UNDP and IOM projects in other countries
The project will draw on existing or past UNDP and IOM projects, benefiting from best practices as well as lessons learned.

UNDP projects
UNDP migration and development projects have focused on how migration can expand people’s choices raising their incomes, improving their access to services and enhancing participation. The opportunities that it opens differ vastly between those who have limited skills and assets and those are best endowed. To contribute to improving the development outcomes of migration, UNDP is an active member of the Global Migration Group (GMG), where the organization coordinates its work on migration with other UN agencies, the World Bank and the International Organization on Migration (IOM). Building on the 2009 Human Development Report, UNDP is working to establish a framework of advisory support for governments that are interested in analyzing and responding to migration in the context of their national development strategies. UNDP supports programmes in countries such as Albania, Bolivia, Lesotho, Nigeria, Philippines, Senegal, Somalia, Sri Lanka, Syria, and Tajikistan that aim to channel migrants’ remittances toward economic and social development in their countries of origin. Few examples of UNDP projects globally are the following:

Tajikistan - Mobilization of labor remittances into infrastructure rehabilitation: In 2007, one activity of an EC funded project was to utilize the Migrant Household Initiative Groups (MHIGs) to advocate among migrants and their families about the benefits of contributing to local development projects. For each dollar raised by MHIGs, UNDP would grant another dollar for the piloting project. The activities included investment in infrastructure projects, microfinance scheme targeted at migrants, and support to improved communication between migrants and their home communities. They managed to raise around $7000 in two villages for the rehabilitation of small scale infrastructure such as schools, bridges, and roads. The project had stronger ownership by the rural residents, than similar projects conducted by UNDP, which ensured sustainability of the infrastructure.

Philippines - OFW/ Diaspora remittances for Development - Building a Future Bank Home: With the financial support from the Western Union Foundation, this ongoing three year project that started in 2010 aims at improving the remittance impact on poverty reduction and local economic development. Pilot projects has been designed and built in partnership with diaspora association, to create linkages for product development, value chains, and improved market access for service delivery. Capacity diagnosis has been conducted in identifying policy and institutional option including financial literacy for leveraging remittances to promote entrepreneurship. This project also aims at exploring the viability of collective remittance fund.
ANZ Fiji’s Rural Banking Project: In 2008, an Australian ANZ bank started to use the social network and trust of the rural village community to make banking possible for the previously unbanked. Two products were designed to complement the uniqueness of Fiji’s rural banking: the savings account and the everyday account. The rural banking project opened opportunities to individuals to benefit from services of the banking sector even though they were living in remote areas, by bringing banks to their communities and using mobile banking. The products were introduced after participatory discussions conducted with the targeted group. 85.3% of all deposits were savings accounts which reflected the need for safer and risk free alternatives. Among lending portfolios clients mostly were borrowing for starting or expanding their small businesses, which mostly were related to canteen operation, fishing, farming, or transportation investment. Additionally, people could receive payments without having to travel long distance and spend on food and transportation costs. Challenges to the project included financial literacy, and the lack of identification requirements in rural communities. UNDP assisted with the feasibility assessment work by sharing experience on microfinance schemes, providing information on the rural economy and validating that the poor are bankable. The UNDP and ANZ Bank Partnership for Banking the Unbanked in the Pacific is a tangible example of a substantive partnership aimed at pooling the respective strengths of each partner to devise viable and innovative banking services to rural communities, who have no access to financial services.

Marketplace Armenia: In Armenia an ongoing initiative called Marketplace Armenia focuses on community building and grass root citizens’ participation. The role of diaspora is to provide either financial or technical support to community based environmental development initiatives, with specific focus on women and youth leadership. The project is funded by a multi-donor trust fund, and it is stretched over the period of 2011-2012.

IOM projects
IOM approaches the linkages between migration and development from the perspective that international migration, if properly managed, can contribute to the growth and prosperity of countries of origin and of destination, as well as benefit migrants themselves. IOM, therefore, aims at harnessing the development potential of migration for the benefit of individual migrants and societies. IOM has a founding role in the GMG which grew out of an existing inter-agency group, the Geneva Migration Group, which was established in April 2003 by the heads of IOM, ILO, OHCHR, UNCTAD, UNHCR and UNODC. IOM has also assisted in the preparation of the Global Forum for Migration Development (GFMD). IOM’s activities span the global and vary from research and policy dialogue to concrete measure for facilitating the engagement of diaspora through temporary and virtual return as well as the productive use of migrant finances. A few examples include:

Supporting the implementation of the migration and development component of the EU-Moldova Mobility Partnership (SIMP): As an ongoing three year EU funded project designed to foster linkages between migration and development and to support the operation of the EU-Moldova Mobility Partnership, SIMP addresses the current challenges posed by migration in the Republic of Moldova under a variety of angles: interventions at the levels of policy making, institutional migration management capacity and provision of various direct tangible support measures to Moldovans affected by migration, both in and outside of the country.

Migration and Return, Resources for Development: An IOM programme financed by the Italian Ministry of Foreign Affairs that focused on Moroccan migrants as potential agents of development. Its aim was to create favourable conditions in Italy and Morocco for expatriates to invest at home, either through temporary or permanent return programmes, targeted investments of remittances or through the creation of a trans-national network of firms, migrants' associations and public administrations in both countries. The three year programme lasted from April 2006 to March 2009.

Migration for Development in Africa (MIDA): Based on its long experience in the Return of Qualified African Nationals (RQAN), IOM launched this ongoing programme to strengthen its capacity building efforts in assisting African countries to benefit from the investment they have made in their nationals. With the technical and financial backing of the Belgian authorities, IOM began to implement in November 2001 the
first MIDA programme - targeting the three countries of the Great Lakes region: Burundi, the Democratic Republic of the Congo and Rwanda. Many African nationals in the diaspora are applying their qualifications and skills in developed countries in Europe and North America. Such qualifications and skills should be brought back into the mainstream of development of the African continent. Through its mobility-based approach, MIDA aims at helping African nationals to directly contribute to the development of their countries of origin.

**Migrant Women for Development in Africa (WMIDA):** This project financed by the Italian Ministry of Foreign Affairs aimed at engaging West African women migrants residing in Italy in the development of their countries. The programme supported West African women migrants interested in using their remittances to establish small or medium enterprises in their countries of origin through joint ventures with Italian partners and host communities. Implementation of WMIDA began in 2008 and was completed in 2009.

**Migration for Development in Latin America (MIDLA):** This project, funded by Italian Development Cooperation and originally piloted in 2009 and 2010, has attempted to assess interest and develop mechanisms structured to mobilize human, technical and financial resources of Latin American migrants living in Italy, focusing especially on migrants from the Andean countries, and promoting or supporting their active role as development agents. As a follow-up to the pilot project, the Italian government has continued to support MIDLA which will enhance the role of the Andean diaspora in Italy for the community development of the areas of origin, through financial investments of remittances in small-medium enterprises or social initiatives.

**Improving Knowledge of Remittance Corridors and Enhancing Development through Inter-Regional Dialogue and Pilot Projects in South-East Asia and Europe:** This EC funded project aims to promote the link between remittances and development in South-East Asia. Through data gathering, policy dialogue and pilot project activities, this project seeks to mainstream migration, development, and remittance in national development planning, promote transfers through formal financial institutions and support initiatives that promote productive use of remittances through saving and investments. The project's target countries in South East Asia are the Philippines and Indonesia, while the Netherlands and Italy are the counterparts in Europe. Implementation began in February 2008 and reached completion July 2010.

**Harnessing Remittances for Development and Promoting Legal Migration in Tajikistan's Rural Areas:** For this two year EC funded project launched in January 2007, IOM partnered with the Jamoat Resource and Advocacy Centres (JRCs). These are local non-governmental community-based organizations set up by the United Nations Development Programme (UNDP). Together, IOM and the JRCs build the skills and knowledge of migrant households, local communities and civil society to take advantage of and promote the use of migrant remittances to develop practical livelihoods for families affected by emigration. The project will promote micro-credit plans and local socio-economic development of migrant communities of origin through remittance contributions. It also addresses the legal side of labour migration. The project targets 15 rural communities of Khatlon Oblast and Rasht Valley where emigration is high.

**2.8 Synergies with other projects in Kosovo**

**UNDP projects**

Dragash: Dragash is one of the regions in Kosovo which receives large amount of remittances; in fact, households in Dragash receive more remittances than Kosovar households on average. In the Prizren region, which Dragash is part of, 23.3% of households receive remittance, the average in Kosovo being 19.6% (Remittance Survey 2010). This rural and mountainous region has got few sources for income, and the migration level is high. As a result, the remaining households are dependent on the financial support from abroad. One of the project components of the UNDP Dragash project is to find sustainable sources for income for the Dragash households. Thanks to its participatory planning modality, the Dragash project has
got tight connections with the local communities, and the project provides good opportunities for piloting migrants' investment funds or collective remittance models in the Dragash region.

Aid-for-Trade: Kosovo has a staggeringly high trade deficit, implying that domestic demand is covered in large part through imports. The continued trade imbalance is sustained because of the continued inflow of external financial flows, such as remittances and donor aid. While these external flows are critically important for the local economy, they are not sustainable over the long term. As such, Kosovo needs to pay greater attention toward developing its local industries and economic competitiveness, in order to increase its ability to generate more exports and therefore move away from remittance dependency toward an export-led growth model. The remittance project aims to assist in this regard, by seeking to slowly transform the way in which remittances are used for consumption toward productive investment. Such a change would enable that remittances and other diaspora savings' funds go to concrete investment initiatives that are concentrated in the tradable sector, thus leading to more exports and therefore reducing the prevailing trade imbalances. The Aid for Trade project is aligned with this goal, in that it seeks to improve Kosovo's export potential through taking advantage of new trade corridors and supporting private sector to improve trade competitiveness. For instance, investments from the diaspora community, which are either channelled through the banking system, or through the international guarantee fund, can be concentrated in a specific sub-region of Kosovo that can exploit new trade corridors. As the Aid-for-Trade seeks to conduct a "Trade Marketing Baseline" study for a specific sub-region in Kosovo whose aim would be to identify the potential to increase cross-border trade exchange with neighbouring countries, business investment through diaspora funds can be channelled to the same region in order to combine trade opportunities identified with concrete investment initiatives.

Area Based Development (ABD) – Microfinance scheme: One component of the Area-Based Development project, which aims to increase security and stability in the Northern municipalities of South Mitrovicë/a and Zveçan/Zveçan through multi-sectoral approach, focuses on economic empowerment and increased enterprise activities of local communities by providing microfinance and business advisory services. The ongoing UNDP project will provide lessons learned and best practices in piloting microfinance products for migrants and business advisory services for returnees, should the project decide to focus on these types of model in engaging diaspora in economic development.

Gender Equality and Women Empowerment: UNDP Kosovo has been accelerating the integration of gender dimensions in all sectors and strengthening its performance in delivering for women and men. All actions are framed within the UNDP Gender Equality Strategy and the UNDP 8 Point Agenda (SCR 1325). Advancing gender security and justice remains the principal priority. Emphasis is also being placed on protecting women's social, economic, political and cultural lives in a context of sustainable livelihoods. Targeted programmes promote the accountability of Government and institutions to implement gender sensitive laws and ensure that resource mobilization, aid coordination, budgeting and funds allocation are fully gender responsive. Finally, UNDP Kosovo aims to increase women's roles in decision making.

IOM projects
The proposed intervention is only one part of IOM’s larger vision for making migration a driving force for the development of Kosovo. IOM Kosovo is currently implementing several projects that support poverty reduction and sustainable development in Kosovo and can contribute to the project objectives described above.

Migration and Development in the Western Balkans (MIDWEB): Among other components this regional EU funded project supports the expansion of Migrant Service Centres throughout Kosovo. These centres provide information about legal means of migration to potential migrants while also providing information about reintegration for returning migrants. These centres provide an ideal platform for disseminating information about the various models to be piloted within the current proposal. Furthermore, through this project IOM has identified diaspora focal points amongst the IOM staff in each of the six countries in Europe with the highest numbers of migrants from the Western Balkans. These focal points have established working ties both to Kosovo’s diplomatic missions and diaspora organisations in their
respective countries. These connections will be of vital importance for carrying out the feasibility studies among the Kosovar diaspora as well as disseminating information about the models to be piloted.

**EU Community Stabilisation Programme (EU CSP):** The EU funded Community Stabilisation Programme works with ethnic minority communities to stimulate local economies through supporting small and medium sized enterprises (SMEs). This ongoing programme planned for completion in July 2012, helps create the conditions for investment by the diaspora encouraging the formalisation of the local economy which has been market by a large degree of grey economic activities especially in minority communities and enclaves. This is achieved through requiring all SMEs supported through the programme to register with the central government and thus pay their regular business taxes.

**Assisted Voluntary Return and Reintegration Assistance:** Another component of IOM Kosovo’s operations involves the provision of return assistance to Kosovars who voluntarily return from over a dozen countries across Europe. Though the amount and type of assistance provided vary greatly according to the funding country of migration, many of these programmes provide great deals of opportunities for training and business development, through which IOM has the opportunity to work closely with returnees in matching their skills to the available opportunities in Kosovo. These programmes can provide additional incentive and capital for migrants to return and invest in businesses when the proposed financial products, such as the International Guarantee Fund, are fully implemented.

In addition to these ongoing activities IOM is in the process of developing several initiatives that will also directly address the general goal of the proposed intervention from different yet complimentary angles. IOM is working with the relevant ministries to develop an Extended Migration Profile that would strengthen the institutional mechanisms for compiling disaggregated data in relation to migration and development including not only flows of people but also labour market information in Kosovo and abroad. In conjunction with the Ministry of Diaspora, IOM plans to develop mechanisms for facilitating the participation of diaspora in various aspects of Kosovo society including policy making that has a direct impact on them as well as strengthening their capacity to implement small-scale projects in their communities of origin.
3. DEFINITION OF THE INTERVENTION

The overall objective of the project is to enhance the contribution of diaspora to poverty reduction in the short-term and to sustainable, gender equitable local economic development in the long-run through facilitating investment and saving behaviour among migrants and remittance-receiving households.

This objective will be achieved through three specific outputs. Each output targets different beneficiaries: first output focuses on remittance-receiving households whereas the second output targets the Kosovo diaspora and Kosovar migrants. The third output targets mainly Kosovo authorities who benefit from the first two outputs as well.

Output 1: An increased gender-sensitive access and literacy of remittance-recipients and senders to financial services in order to promote the accumulation of local savings and investment

This output will be achieved by facilitating the banking sector and other financial service providers to create new products that reach the special needs of low income remittance-receiving households, headed by women and men, in Kosovo. The Kosovo Remittance Survey 2011 results show that women prefer to use informal channels for remittance transfers more than men. By analyzing the difference in the financial behaviour of men and women, the project can target both groups, and identify products, that meet the demand of both women and men.

The project will foster the engagement of the private sector to develop and offer innovative products that will facilitate the transfer of remittances, e.g. by reducing the transfer costs, and to support the accumulation of savings of remittance-receiving households. Financial institutions can offer financial services that can be targeted specifically at remittance receiving households such as savings account and access to small amounts of credit, which can become a source for investment. Access to savings and credit products tailored to low-income families can help families receiving remittances channel these funds towards future investments, such as housing, education or microenterprises. By incentivising migrants to transfer remittances through formal channels, these households will have an increased access to financial services, which will facilitate the savings behaviour of remittance-receiving households. Savings will not only expand the deposit base of banks, which in turn could allow for further credit expansion and investments, but also serve as an equity in future investments.

There are successful examples from other countries where banks have invested heavily in developing specific products and infrastructure related to migration, and the benefits for these banks came out to be far larger than anticipated. By encouraging banks to develop new products for migrants and remittance receivers, e.g. free transfer of remittances if funds are kept on account for some period (Table 1), banks will not only get cheap funding through deposits, but they will also increase their number of clientele. Moreover, banks in Kosovo which embrace Corporate Social Responsibility (CSR) ideology can benefit from the outreach to remittance-receiving households, the less prosperous, by targeting these households as part of their CSR activities. Remittances can be used to support financial products, such as deposits, business and consumer loans, insurance and other financial products and to contribute to the financial development of the recipient economy.

Table 1. Fee charged by the leading local banks for receiving transfers from abroad (in euros)

<table>
<thead>
<tr>
<th></th>
<th>Fee for receiving 100 euros</th>
<th>Fee for receiving 500 euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kosovo</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Albania*</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>BiH</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Croatia</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>FYR Macedonia**</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Montenegro</td>
<td>2</td>
<td>2.5</td>
</tr>
<tr>
<td>Serbia***</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
* Several banks have introduced joint bank accounts with Greek and Italian banks which allow free of charge transfers
** If funds are kept on the account for some period (between seven and thirty days)
*** If funds are kept on the account for thirty days, otherwise 2 euros

Moreover, the availability of new financial tools dedicated to migrants and remittance receivers needs to be coupled with actions that have a power to change people’s attitudes, mentalities and behaviours. In this respect, the project will seek strategies to advocate for the use of formal channels for remittance transfer as well as conduct financial literacy trainings in order to educate women and men to better manage their finances and dedicate part of their budget to savings and investments. Through focus group interviews, households will be asked about their use of financial services, access to finance and financial knowledge. Again, the difference in the financial behaviour of women and men will be analyzed, and the results will be used to target both. The project will also identify and create innovative incentives to increase the use of financial services, e.g. a lottery among account holders, together with the beneficiaries.

To ensure the sustainability of these initiatives activities will be coordinated with the Ministry of Diaspora (MoD) to help forge lasting professional relationships between the government and the financial sector. The MoD will be encouraged to continue working with the relevant financial institutions in Kosovo to advance their responsiveness to the needs of remittance senders and receivers. In turn the MoD and other relevant institutions can assist in reaching out to potential clients thus creating a win-win situation for all stakeholders. For example, the counsellors at the Migration Service Centres throughout Kosovo can be trained to assist remittance senders and receivers to identifying and maximising the potential benefit of the innovative products developed by the private sector.

The following activities are planned:

1.1. Target: Products and services that will facilitate the transfer of remittances and increase savings by the remittance receiving households will be identified, assessed and introduced (increased access)

1.1.1. Mapping and feasibility analysis by an expert to identify products and services that will facilitate remittance transfers through the banking sector, and increase bank savings by remittance-receiving households. Map the products and services, which have been used in other countries to facilitate remittance transfers and assess the feasibility of these products and services in Kosovo. The assignment will have a specific focus but will not be limited to the products and services which will promote financial inclusion and increase the access of remittance-receiving households to financial services in Kosovo. The products and services to be included are e.g. innovative bank products (deposit schemes, savings accounts) and investment vehicles. The study will identify incentives that will encourage migrants to send remittances through banks, and remittance-receiving households to use financial services more for saving purposes (e.g. lottery among account holders). Through focus groups, the users of these services, both women and men, will be interviewed, and the preferences of women and men will be identified. The study will also provide recommendations of the policies and institutional measures, which will create the right incentives and environment to channel remittances through the banking sector.

Models that have been introduced in other countries and that will be assessed in the context of Kosovo include e.g. the following:

- Remittances from Germany to Croatia through Zagrebacka Bank. Zagrebacka Bank, Croatian bank, has a branch office in Frankfurt to support customers who are interested in investing in Croatia or need to send money. People who need to send money to Croatia transfer money from their accounts in Germany to an account of
Zagrebacka Bank at a German bank. Once Zagrebacka Bank receives the money, the bank bundles all money transfer requests from all customers and wires it in one transaction to Zagrebacka Bank in Croatia, which then deposits the money into the beneficiaries’ accounts. (Martínez at al. 2006. The Germany-Serbia Remittance Corridor. Challenges of Establishing a Formal Money Transfer System. World Bank Working paper No.80.)

- An innovative product that allows cheaper remittance transfers is a rechargeable remittance card that offers competitive transaction costs and instant transfers: the migrant recharges a magnetic card with credit that can be immediately withdrawn in the country of origin by a remittance receiver.
- Remittance sending tools coupled with micro credit schemes. A product that might not directly lower the costs of sending remittances, however it does encourage their use for investment and saving, is a small credit granted to the family members of migrants who choose to transfer remittances through the service provider. This system hinges on the use of migrant remittances as a guarantee of repayment, therefore allowing migrant family members to access even significant amounts of credit that can be invested in income-generating activities.

1.1.2. Private Sector Forum to Explore Linkages between Private sector, Remittances and Development. Private Sector Forum will introduce the innovative projects, identified by the feasibility analysis, that link remittances with new commercial products and services while being profitable would also support development objectives. It will bring private sector representatives together with regulators and parties that can support projects, as well as invite representatives from other countries, who can provide good experiences and best practices for the companies based in Kosovo. Particular attention will be paid that gender balanced participation is ensured.

An existing forum for the introduction of new financial products could be Finance Fair, organised by the Kosovo Banker’s Association, which brings together all the commercial banks in Kosovo, as well as the Central Bank, ministries and other stakeholders. The event has been organised one in two years, but there is a need to organise the event more often, thus providing the project a forum to raise discussion on innovative banking products.

1.1.3. Support and monitor the implementation of the products by the private sector and Kosovo Authorities. The introduction of the most promising products welcomed by the private sector will be supported through targeted feasibility studies, study trips or b-to-b meetings. Efforts to introduce the selected models to the market will be targeted in pilot municipalities, the selection of which will be done together with the private sector.

1.2. Target: Gender-sensitive financial literacy of remittance-recipients and senders is increased (increased literacy) UNDP

1.2.1. Identify concrete measures for encouraging migrants and remittance-receiving households to increase the use of financial services. This activity will draw lessons learned from previous projects, that have been implemented in Moldova with the support by JMDI (Moldova: Improvement of Financial Literacy for Remittance) and in Fiji with support by UNDP (Fiji’s Rural Banking Project; Banking on Social Capital and Trust). Lessons from these projects prove that close collaboration with other actors may further enhance financial literacy trainings. Involving financial organisations has the advantage of promoting financial tools that have been designed for migrant clients. Moreover, the participation of migrants and remittance-receiving households, both women and men, through different participatory mechanisms in defining financial tools can be another way of ensuring that the final products are in line with effective remittance behaviour.
1.2.2. Increase the financial literacy of poorly educated, remittance-receiving households.
Targeted seminars, trainings and coaching sessions will aim at increasing the financial literacy of poorly educated remittance-receiving households. The lessons from past projects reveal that the training of trainers to provide coaching sessions themselves yielded various advantages. In some cases it allowed trainings to reach remote rural areas, in others the staff of central government institutions. These activities were not only well received by participants and local counterparts, but they also offered the additional advantage that knowledge is kept locally after the end of project funding. In addition, the spread of informative materials, awareness-raising campaigns and advocacy activities will take place in order to enable migrants and remittance-receiving households increase the use of financial services.

Output II: Models and mechanisms that facilitate migrant’s investment and savings in Kosovo are identified and piloted

The output will address the following question: How can migrants and diaspora be enabled to invest and save in their country of origin?

The project will work with the financial sector in Kosovo and abroad to evaluate and test potential models to provide migrants and diaspora with the most appropriate, viable, and sustainable instruments for leveraging their financial and technical assets in job creation. Matching grant/loan schemes, savings schemes, International Guarantee Fund, micro-finance instruments, collateralised remittances initiatives and other investment vehicles will be assessed. The investments that will be facilitated through these mechanisms should increase the inclusive (including women, youth, minorities and other vulnerable groups) and sustainable economic development of Kosovo. Diaspora associations will be engaged for better outreach and needs assessment, and the possibility of establishing a functioning diaspora knowledge network will be explored.

The following activities are planned:

2.1. Target: International guarantee fund is assessed and piloted if assessment is positive.

2.1.1. Evaluate the International Guarantee Fund model. Taking into consideration the experience gained in South America, IOM Kosovo seeks to develop, promote, consolidate and replicate a new financial model, the International Guarantee Fund for Kosovars Abroad (IGF-KOS). The IGF-KOS aims to enable migrants abroad who wish to invest in their country of origin (CoO) by improving their access to financial intermediaries and credit facilities in their countries of migration. This access is facilitated through guarantees issued by a financial institution(s) in the country of origin that manage(s) the IGF-KOS. The guarantees would be accepted as collateral because IGF-KOS would be capitalised by private, public, and international investors and thus be able to cover losses in case of non-repayment. These guarantees are provided to financial institutions in the countries of migration thus minimising their risk exposure and making it more attractive to extend credit to those migrants and diaspora that may not have collateral in the country of migration. This model bridges an important gap and thereby directly addresses a key constraint faced by many migrants. Being the first of its kind, the IGF intends to serve those migrants in diaspora who wish to do so to channel savings and investment from Kosovars abroad into generating employment and development in Kosovo. At the same time, by creating better conditions at home the IGF-KOS indirectly promotes the return in dignity of workers with knowledge and experience from abroad. A comprehensive feasibility study will be conducted in Kosovo and in the selected diaspora communities in EU member states in coordination with the Ministry of Diaspora. Project taskforce will lead the study and consultants with specific expertise will be engaged to perform in-depth analysis of particularly complex issues such as legal implications of cross-border regulatory structures, financial assessments, and evaluating market trends and fluctuations.
2.1.2. Facilitate concrete measures for piloting International Guarantee Fund model. Contingent on a positive evaluation of the model during the assessment study, the Ministry of Diaspora and the private sector will be supported in developing and implementing the International Guarantee Fund for engaging migrants and the diaspora, women and men, and addressing their needs by offering them new innovative options for investment. A pilot project will be conducted of these models with a strict monitoring and evaluation process to ensure continued viability and potential for scaling up. If results of the assessment, study are negative funds allocated for these activities will be re-allocated to other project activities in consultation with the donor.

2.2. Target: Other mechanisms and models to support and facilitate migrant’s investments in Kosovo are identified, assessed and established with due respect to the privacy of the funds which are being targeted by these mechanisms. **UNDP/ IOM**

2.2.1. Pre-assessment and mapping to identify various tested and innovative models that will facilitate and provide incentives for migrants and diaspora to invest and save in Kosovo.

The project will explore the applicability and suitability of various tested and innovative models for facilitating and incentivising their investment in Kosovo, always fully respecting the fact that migrant savings and investments are essentially private funds. The study will draw upon IOM’s and UNDP’s extensive experience and best practices from other existing projects in Kosovo and around the world. To this end, matching grant/loan schemes, savings schemes, micro-finance instruments, collateralised remittance initiatives and other investment vehicles will be assessed.

Models that have been introduced in other countries and that will be assessed in the context of Kosovo include e.g. the following:

- **Saving schemes**: Special savings products can cater for migrants by making savings in Kosovo an attractive option. An example is offered by savings accounts, which pay favourable interest rates compared to those of ordinary savings accounts. These accounts may even be opened at a distance by the migrant in person or by a trusted relative in the home country. The innovative aspect of similar tools lies in the fact that they go a step further than simply harnessing the transfer of remittances to the country of origin, as they leverage migrant savings for local development. The underlying principle is that the funds deposited by migrants can are used as collateral for the local disbursement of loans. The migrants’ savings can be converted into cheaper credit that supports locally initiated businesses.

- **Investing migrant savings in independent local businesses**: A platform can be developed through which migrants can provide funds for micro-credits to SMEs in Kosovo through already existing micro-finance institutions that in turn provide credit to vulnerable groups. Models introduced in other countries have adopted two possible strategies in this respect: some provide credit for the small-scale income-generating activities of individuals and others for the development of businesses on behalf of organised groups. For instance, local women’s associations can be transformed into economic cooperatives through access to migrant funded loans and technical assistance provided by the project. The development potential of this approach lies in its capacity to lower the cost of loans for vulnerable microcredit receivers. In these cases, the final activities benefitting from credit may not necessarily foresee a direct involvement of migrants. Migrants might prefer channelling their funds towards the business of an anonymous micro-credit receiver rather than of their own kin, as this might increase the chances of repayment. Disbursements to family or friends, in fact, may be more exposed to the risk of being perceived as grants, rather than loans.
• **Investing migrant savings in communities of origin.** Migrants' investments may also be channelled towards collective businesses that have a clear relevance in migrants' own communities of origin. In these cases, migrants are more likely to have a direct stake in the businesses. This is primarily done through support to collective initiatives such as cooperatives or social enterprises that can be chosen, for instance, by selecting a specific economic sector that is highly relevant for a local context. Migrants' investments are then used to further boost economic activity in this area. Lessons from existing projects reveal that investing on the up-scaling of existing cooperatives rather than on business start-ups might be a safer strategy in terms of economic returns. Furthermore, for migrants considering the option of going back to their home country, empowering local sustainable businesses makes the option of return attractive even in otherwise unattractive remote rural locations, such as in Dragash. For example in Armenia an initiative called Marketplace Armenia has focused on community building and grass root citizens' participation. Diaspora has provided either financial or technical support to community based environmental development initiatives.

• **Support for business start-ups of returnees:** In the case where a migrant is willing to contribute to the economy of Kosovo not only by providing financial but also human resources for business start-ups, migrants can be assisted in running existing small scale economic activities or in setting up new enterprises, such as providing training on business management skills, assistance in undertaking market analyses and developing business plans, etc. These businesses may be initiated to prepare the ground for a migrant's permanent return.

• **Matching grant schemes:** In Tajikistan UNDP, IOM and ILO have been implementing a project since 2004 to channel migrants' savings into community development. The approach, where every dollar invested to the project invests a dollar, has proved to be very successful. In some of the communities small-scale infrastructure-related projects have been contributed financially by migrants, and in 2008 alone the project mobilised approx. US$ 100,000. In the pilot phase, UNDP granted funds to 8 selected investment projects in two municipalities. As the project proved its sustainability, the mechanism has been replicated in other municipalities with government support.

2.2.2. **Feasibility studies of at least two selected instruments or models to verify the viability of the models, including workplans to facilitate concrete activities.** IOM and UNDP will each identify one of the reviewed models from the pre-assessment for comprehensive feasibility studies. These will be conducted in Kosovo and in the selected diaspora communities in EU member states in coordination with the Ministry of Diaspora. The project staff of each organization will lead their study while consultants with specific expertise will be engaged to perform in-depth analysis of particularly complex issues such as legal implications of cross-border regulatory structures, financial assessments, and evaluating market trends and fluctuations.

2.2.3. **Facilitate concrete measures for piloting the most promising models.** Based on the results of the pre-assessment study, the most promising models will be selected for more elaborate and thorough feasibility analysis to assess and verify the feasibility of the pre-selected models, and work plans to facilitate concrete activities. The Ministry of Diaspora and the private sector will be supported in developing and implementing the most promising models for engaging migrants and the diaspora, women and men, and addressing their needs. Pilot projects will be conducted of these models with a strict monitoring and evaluation process to ensure continued viability and potential for scaling up.
Output III: Evidence-based policies created by Kosovo authorities who have an improved capacity to produce and manage information related to migration and development, including gender disaggregated data.

Once again the importance of public private partnerships for the sustainability of the intervention will be paramount. In this regard the Ministry of Diaspora will be assisted in identifying policies and mechanisms for addressing the needs of migrants and diaspora so that they can more effectively and efficiently contribute to the economic development of Kosovo, if they wish to do so. Through effective policies and target interventions for enabling investment, migration will thus be made into a driving force for creating better conditions in Kosovo in order to curb further emigration and facilitate a dignified return for Kosovars abroad.

The project will support the institutionalisation of the Kosovo Remittance Survey, so that relevant information about the use, flow and effects of remittances will be collected, budgeted and conducted by the local institutions on a regular basis, and in a gender disaggregated manner, e.g. as part of the Household Budget Survey. In addition, the repetition of the Kosovo Remittance Study in 2011, commissioned by UNDP jointly with International Monetary Fund (IMF), Central Bank of Kosovo, Ministry of Economic Development, and Ministry of Finance, aims at increasing the capacities of local institution to carry out large surveys.

3.1. Target: National Strategy on Diaspora as well other policies and initiatives are in place, address the needs of diaspora and provide incentives for migrants to invest and save in Kosovo

3.1.1. Placement of an advisor at the Ministry of Diaspora through the Capacity Development Fund to support in the drafting of a National Strategy on Diaspora as well as other policies and initiatives. UNDP

As the name of the project implies, the Capacity Development Fund (CDF) supports ministries in Kosovo by providing them with advisors upon request with contracts up to 6-12 months. In mid-September 2011 CDF project has placed an advisor, a communications specialist, to support the Ministry of Diaspora. The Ministry is in the process of requesting another advisor with a legal background to help the Ministry to plan and draft policies.

3.1.2. Provide technical assistance through consultants, experts and potentially direct support from the diaspora to the MoD for the development of the National Strategy on Diaspora as well as other policies and initiatives. UNDP IOM

Support to the Ministry of Diaspora will be provided through a task force, consisting of members from the Ministry, UNDP, IOM and other relevant institutional stakeholders. The task force will provide recommendations to the Ministry in policy planning, especially for the National Strategy on Diaspora. Subject to the needs of the Ministry short-term experts and advisors will be appointed for detailed assignments. Provide assistance in setting up a database (e.g. through a website of the Ministry of Diaspora), which will support the networking, interaction and outreach among diaspora associations and migrants as well as serve as an information channel about investment opportunities in Kosovo, will be assessed and implemented if feasible.

3.2. Target: Produce information related to migration and remittances UNDP

3.2.1. Repeat the Kosovo Remittance Survey in July–August 2011. 8,000 households were interviewed, along with the migrants who send remittances. While the Kosovo Remittance Study 2010 stands as a baseline study on the effects of Kosovo diaspora’s financial support to Kosovo, the repetition of the study will increase the information about the flow and use of remittances as well as provide a database that allows a longitudinal analysis of remittances. By doubling the sample size, statistical analysis will be served better. Questions will be added
to the existing questionnaire about 1) attitudes towards different money transfer channels and the use of financial products, 2) migrants’ willingness to invest in Kosovo, and 3) labour effect of remittances, in order to analyze the hypothetical spoil effect of remittances. In addition, gender dimension will be increasingly incorporated, by disaggregating the survey results by gender.

3.2.2. Joint UNDP-IMF Prize on the Best Paper on Remittances. As part of the efforts to improve the capacities of Kosovo institutions to produce and manage information related to remittances, as well as to increase research and awareness on the impact of remittances and migration in the economic development of Kosovo, UNDP will jointly with IMF organise a contest for researchers to produce substantive analysis by using the Remittance Study 2010 and 2011 data. The best papers will be awarded with certificates and prizes in a public event.

3.2.3. Institutionalisation of the Kosovo Remittance Survey. Support the institutionalisation of the Kosovo Remittance Survey, so that relevant information about the use, flow and effects of remittances will be collected, budgeted and conducted by the local institutions on a regular basis, e.g. as part of the Household Budget Survey, conducted by the Statistical Office of Kosovo on an annual basis.

Supporting activities: Communication

The project will use a variety of communication tools for awareness-raising activities and for reaching diaspora. In addition to the use of more traditional brochures and PR tools, social media will be used to communicate the purpose and results of the project both to local stakeholders but also to other development partners in the region. In addition to that, government officials will be encouraged to participate in regional conferences which discuss e.g. migrants’ engagement to development and related topics. The use of social media will be explored as a means of communication with migrants.
### 4. RISKS MATRIX

#### Table 2: Potential project risks and countermeasures

<table>
<thead>
<tr>
<th>Description</th>
<th>Type</th>
<th>Impact &amp; Probability (1-5)</th>
<th>Countermeasures / Management response</th>
</tr>
</thead>
</table>
| Lack of commitment by the Kosovo Government          | Political Organisational | I=3  P=2                   | • Early involvement of relevant institutions  
|                                                       |                       |                             | • Effective and frequent communication of targets and results |
| Lack of institutional capacities                      | Organisational        | I=4  P=4                   | • Capacity development; strengthening the skills, competencies and abilities of local institutions through advisors, experts, task force, training etc. |
| Lack of commitment by the banking sector              | Strategic             | I=4  P=2                   | • Early stage identification of partners  
|                                                       |                       |                             | • Effective and frequent communication of targets and results  
|                                                       |                       |                             | • Transparent procedures for selecting supported models |
| Assessment of IGF proves the model is not suited for the Kosovo context | Strategic Operational | I=3  P=2                   | • Funds allocated for piloting of the model will be re-allocated to other activities in consultation with the donor |
| Financial sector does not continue to offer supported products after the project | Strategic Operational | I=4  P=2                   | • Support the financial sector to introduce the projects in the market  
|                                                       |                       |                             | • Improved financial literacy as dealt within the project |
| Limited maturity of the banking sector                 | Strategic Operational | I=4  P=3                   | • Identifying models fitting to the context  
|                                                       |                       |                             | • Engagement of both local and international expertise  |
| Lack of willingness of migrants to use formal channels for remittance transfers | Strategic             | I=2  P=2                   | • Financial literacy  
|                                                       |                       |                             | • Identifying models that fits to the purpose of sending remittances |
|                                                       |                       |                             | • Identifying incentives together with the service providers  |
| Lack of commitment and willingness of migrants to invest in Kosovo | Strategic             | I=4  P=3                   | • Early engagement and coordination of migrant and diaspora organisation  
|                                                       |                       |                             | • Identifying models and incentives that fits to the purpose of migrants |
| Financial Crises impacts the opportunities and willingness of migrants to send remittances, save and invest in Kosovo | Strategic Financial    | I=4  P=4                   | • The project seeks to address key specific products that meets with the needs of target groups |
| Lack of a coordination with diaspora network          | Organisational        | I=3  P=2                   | • Early involvement of Diaspora groups and networks  |
| Lack of coordination among key stakeholders           | Organisational        | I=3  P=2                   | • Early stage consensus building activities  
|                                                       |                       |                             | • Effective communication of project |
| Lack of coordination among project partners            | Organisation          | I=3  P=2                   | • Clarify responsibilities and objective in early stage  
|                                                       |                       |                             | • Good communication |
| Availability of competent project staff                | Operational           | I=5  P=1                   | • Use of existing UNDP and IOM networks and knowledge  
|                                                       |                       |                             | • Provision of capacity building / training  |
| Discontinuity of funding                              | Financial             | I=2  P=3                   | • Involvement of the donor(s)  
|                                                       |                       |                             | • Effective communication of findings and results |

* 5 corresponds to the highest impact (1 to the lowest), 5 corresponds to the highest likelihood of the outcome (1 to the lowest)
5. SUSTAINABILITY

Financial sustainability: The project aims to identify and target only models and instruments that are financially self-sustaining. These models will be investigated together with the private sector, and the private sector will be supported to introduce the new innovative models to the market. By developing models that create clear benefits for the private sector as well as the users the project ensures the continued availability of the products developed. Kosovo authorities will be involved in the process as well, in order to engage the policy makers in providing an enabling environment for the products. Finally, outreach of these products will be supported by the activities that aim at improving the financial literacy of the users of the piloted models. The project will develop and pilot models among selected target groups. Subject to the effectiveness of the intervention, an action plan for up-scaling the piloted models will be developed. This provides room for the continuation of the project. The follow-up and up-scaling activities will be subject to further funding.

Institutional capacity: As alluded to previously, the Ministry of Diaspora (MoD) is still in the process of developing its internal structures, human resources, requested legislation and strategic orientation. It is thus the perfect timing to support the MoD, as a key element in the sustainability of the project, to build its capacity to continue reaching out to and engaging the Kosovar diaspora in Europe and around the world. For this reason technical assistance will be provided in the form of consultants who will assist the ministry in establishing efficient and effective internal organization. Furthermore, through the provision of advisors and experts in the field of migration and development the project will share best practices and lessons learned from around the world as guidance for formulating the ministry’s strategy and work plan looking forward into the future. Lastly, by coordinating activities with the MoD, the project will transfer skills and build relationships between the ministry and other relevant stakeholders through hands-on implementation of the various actions. Through these three elements the project will ensure continuity of the intervention by positioning the MoD to be able to institutionalise the key elements of the project activities in an ongoing basis.

National ownership: The development of the proposed intervention has been closely coordinated with the relevant institutions of the Kosovo government. The Ministry of Diaspora, as the most relevant line ministry, is a key project partner who will be engaged throughout the implementation of the project activities which are designed not only to support the MoD’s objectives but also to support the ministry in its role as strengthening the relation of the emigrants with their country of origin. In particular, the various models and products for facilitating investment by migrants, diaspora members, and remittance receivers will be developed and piloted in coordination with the ministry in order to ensure institutional understanding and support so that the ministry can continue developing and promoting these through their internal means. In this regard the MoD has expressed its commitment to supporting the implementation of the project both verbally and in writing. The Central Bank of Kosovo as well as the Statistical Office of Kosovo (SOK) have been key partners in developing more information on the impact of remittances on development is the inception of the project and these will continue to play an important role. Specifically, the project will facilitate the incorporation of the remittance study questionnaire currently being implemented by UNDP into the Household Budget Survey implemented by the SOK. Finally, the project development team has been in consultation with the financial sector in Kosovo and the products to be developed through the project will be implemented in conjunction with private financial institutions by creating win-win models that benefit the institutions as well as Kosovars at home and abroad. Through contractual agreements among Kosovar financial institutions and between them and other key stakeholders such as the Kosovo government, these products will be integrated into the regular operation of the financial sector.
6. MANAGEMENT ARRANGEMENTS

6.1 Organisation
The project will be implemented directly by UNDP Kosovo and IOM Kosovo.

In terms of roles and responsibilities, the project will be directed by a Project Board, comprising of representatives from UNDP Kosovo, IOM Kosovo, Government of Finland, and a representative of the Ministry of Diaspora. The Board may decide to expand its membership as appropriate. The board will

- steer the programmatic direction of the joint programme;
- be responsible for making strategic decisions by consensus, including the approval of project revisions (i.e. changes in the project document);
- approve Annual Work Plans, Annual Reviews and Quarterly reports;
- meet at least twice a year to review management risks and most relevant issues;
- ensure consistent monitoring and evaluation functions (as later described);
- be chaired by UNDP and IOM on a rotational basis; the Project Managers of UNDP and IOM will act as secretaries for the Project Board on a rotational basis.

Each Participating Organisation will be responsible for specific programme outputs and activities agreed upon in the annual work plans under the joint implementation modality.

The implementation of the Joint Programme activities/outputs will be the responsibility of the Participating Organisations and will be carried out by each Participating Organisation in accordance with their respective regulations, rules, directives and procedures applicable.

The UNDP project activities will be implemented by Project Manager, who is responsible for the day-to-day management and decision-making. The Project Manager will be supported by a project team and by the UNDP Kosovo Operations. The Project Assurance role will be provided by the UNDP Kosovo Economic Cluster Team.

The IOM project activities will be implemented by Project Manager, who is responsible for the day-to-day management, monitoring, and implementation. The Project Manager will be supported by a project team and by IOM Kosovo support staff including administrative, finance, and logistical staff.

A task force, which main task will be to provide support to the Ministry of Diaspora, identify capacity building needs of the Ministry of Diaspora and ensure coordination between the Ministry of Diaspora and other stakeholders, will consist of members of UNDP, IOM, Ministry of Diaspora and other members if needed. The task force will meet at least twice a month.

Organisation structure of the project is presented in Figure 3.
6.2 Fund management
The joint programme will utilise a pass-through funding mechanism.

Under this modality, Participating Organisations agree to channel funds for the Joint Programme through the Administrative Agent (AA).

Details of procedures, processes and legal requirements (including reporting), and the responsibilities of the Participating Organisations and the Administrative Agent are described in the Standard Memorandum of Understanding (MoU) for Joint Programmes and the Third-Party Cost-Sharing Agreement between the Donor and Administrative Agent.

The Administrative Agent will transfer funds to each Participating Organisation in line with the budget set forth in this Project Document. Each Participating Organisation assumes full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent.

Each Participating Organisation will establish a separate ledger account or Project ID under its financial regulations and rules for the receipt and administration of funds disbursed to it from the Joint Programme Account. That separate ledger account will be subject exclusively to the internal and external auditing procedures laid down in the financial regulations, rules, directives and procedures applicable to the Participating Organisation. Participating Organisations are allowed to deduct indirect costs, which should not exceed 7%.

The functions of the Administrative Agent for a Joint Programme are as follows:

- Sign an MoU with the Participating UN Organisations;
- Sign the standard Third-Party Cost-Sharing Agreement with Donors wishing to provide contributions to this Joint Programme;
- Receive, administer and manage contributions from donors;
- Disburse funds to Participating Organisations based on the decision of the Project Board and in accordance with this Project Document duly signed by all the Participating Organisations.
The Third-Party Cost-Sharing Agreement signed with the Administrative Agent, is setting out the terms and conditions governing the receipt and administration of contributions from a Donor.

The Administrative Agent is entitled to an administrative fee of one percent (1%) of the amount contributed by each donor to the Joint Project for performing the above mentioned Administrative Agent’s functions.

UNDP has been selected by the Participating Organisations to serve as the Administrative Agency.

6.3 Reporting
Administrative Agent will coordinate and consolidate the financial reports to the donor, including Annual Work Plans, Annual Reviews and Quarterly reports.

Project Managers of each Participating Organisation submit periodic financial and narrative reports to Administrative Agent, who will consolidate the reports for submission and further approval to the Project Board.

6.4 Monitoring and evaluation
The project is very innovative in nature as it aims at identifying innovative models, which haven’t been introduced in Kosovo yet, and piloting these models. Therefore, emphasis will be put on monitoring and evaluation efforts in order to monitor the progress and document the impact of the project activities.

Implementation of the project will be monitored quarterly and annually.

Quarterly monitoring will be based on Quarterly Progress Reports and Quarterly Financial Report. Quarterly Progress Reports shall be approved by the Project Board and shall be composed of:

a) Technical narrative part. The minimum format for the text includes: (1) The extent of the achievement of results; (2) Possible changes within the sector and in the project environment in general and their effects on the project; and (3) Proposal for changes in the planned activities.

b) Issue report to facilitate tracking and resolution of potential problems or requests for change.

c) Risk report to review the external environment that may affect the project implementation.

d) Lesson-learned to ensure on-going learning and adaptation, and to facilitate the preparation of the Lessons-learned Report at the end of the project.

A Quarterly Financial Report contain an executive summary, a comparison of planned budget with actual expenditures, explanation of differences between budget and expenditures, cumulative expenditures by the beginning of the year.

Annual monitoring will be based on Annual Review Report and Annual Project Review. An Annual Review Report shall be approved by the Project Board. The Annual Review Report (as minimum) shall consist of the Monitoring Report Format and the Annual Financial Report based on recorded expenditures in Atlas. The minimum Monitoring Report Format includes the following sections:

a) Summary;

b) Proposals for changes in the project (if any) and justification;

c) Assessment of the intervention (i.e. correspondence the priority needs of beneficiaries – relevance; assessment of impact towards the long-term development goal; extent of achievement of the project purpose – effectiveness; extent of achievement of results; description of implemented activities);
d) **Risk and Issue updates** (i.e. possible changes in the project environment, including materialisation of assumptions and risks, and their effects on the project);

e) **Factors ensuring compatibility and sustainability** (i.e. compatibility with strategic goals of Finnish development cooperation and relevant updates in policy environment, economic and financial feasibility, institutional capacity building, socio-cultural aspects, participation and ownership, gender, environment, and appropriate technology);

f) **Implementation modalities and lessons learned.**

Based on the report described above, an Annual Project Review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the **Annual Work Plan** for the following year. In the last year of project implementation, this review will be a final assessment. This review is driven by the Project Board and it may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

**Evaluation**

In the beginning of the project, the work that has been started with an M&E expert in order to put in place an M&E framework will be finalized.

An independent external evaluation will be conducted before the termination of the project. The evaluation shall review the projects results, identify lessons learned and provide suggestion for the continuation of activities. The evaluation shall focus on relevance, results and effectiveness/efficiency of project implementation. Evaluators are expected to follow relevant guidelines from UNDP and IOM.


### ANNEX 1  PROJECT RESULTS AND RESOURCES FRAMEWORK

**Intended Outcome as stated in the Kosovo Programme Results and Resource Framework:** By 2015, vulnerable women and men (returnees, IDP, minority groups, PWD, youth) have more economic and livelihood opportunities, and benefit from better public and social services.

**Applicable Key Result Area (from 2008-11 Strategic Plan):** Inclusive Growth and Development

**Project title and ID (ATLAS Award ID):** 00080634

### OUTPUT 1

**An increased gender-sensitive access and literacy of remittance-receiving households in Kosovo to financial services in order to promote the accumulation of local savings**

**Indicators:**
- No of remittance services that promote savings
  - Baseline: 0 (2010)
  - Target: 1
  - Means of Verification (MoV): Project reports, Central Bank Annual Report
- % of remittances are transferred through official channels (men/women headed households)
  - Baseline: 41% / 29% (Kosovo Remittance Survey 2011)
  - Target: 46% / 34%
  - MoV: Remittance Survey, Central Bank reports, SOK Household Budget Survey
- % of remittances are channelled into savings (men/women headed households)
  - Baseline: 2.5% / 2.1% (KRS 2011)
  - Target: 4.5% / 4.1%
  - MoV: Remittance Survey, Central Bank reports, SOK Household Budget Survey
- % of heads of households who have bank account (men/women headed households)

**Output targets:**

1. **Products and services that will facilitate the transfer of remittances and increase savings by the remittance receiving households will be identified, assessed and introduced to the market**

2. **The financial literacy of remittance-receiving households is increased through awareness-raising campaigns and targeted trainings**

**Annual targets:**

(Year 2) - At least one product or service that will facilitate the transfer of remittances and promote savings is identified by UNDP together with the private sector and other stakeholders
- 1 awareness-raising campaign is organised that aims at increasing the use of financial services

(Year 3) - At least one product or service that will facilitate the transfer of

### INDICATIVE ACTIVITIES

1. **Mapping and feasibility analysis by an expert to identify products and services that will reduce the cost of remittance transfers, increase the transfer of remittances through the banking sector, and increase bank savings by remittance-receiving households by identifying incentives which will increase the use of financial services.**

2. **Private sector Forum to Explore Linkages between Private sector, Remittances and Development**

3. **Support and monitor the implementation of the products by the private sector**

4. **Identify concrete measures for enabling migrants and remittance-receiving households to increase the use of financial services**

5. **Increase of financial literacy through targeted seminars, trainings and coaching sessions, spread of informative materials, awareness-raising campaigns, advocacy activities**

### RESPONSIBLE PARTIES

- **UNDP**
- **UNDP, Kosovo Banker’s Association**
- **UNDP**
- **UNDP**
- **UNDP**

### INPUTS

- **Staff time** International Consultant
  - Total budget: EUR 8,000
- **Staff time** Venue/hospitality
  - Total budget EUR 40,000
- **Staff time** Travel costs
  - Total budget EUR 60,000
- **Staff time** Institutional contracts
  - Total budget EUR 20,000
- **Staff time** Institutional contracts
  - Service companies (cost of trainings, editing, translation, layout, printing)
  - Total budget EUR 30,000
| **Baseline:** 72% / 62% (KRS 2011)  
**Target:** 75% / 65%  
**MoP:** Remittance Survey, Central Bank reports; SOK Household Budget Survey  
- Pass rate in exams at conclusion of financial literacy trainings (men / women)  
**Baseline:** -  
**Target:** 80%; 300 participants  
**MoP:** exams, project reports | remittances and promote savings is introduced to the market |  |  |
|---|---|---|---|
| **OUTPUT 2**  
Models and mechanisms that facilitate migrant's investment and savings in Kosovo are identified and introduced | **Output targets:**  
2.1. International guarantee fund is assessed and piloted if assessment is positive  
2.2. Other mechanisms to support and facilitate migrant's saving and investments in Kosovo are identified, assessed and established with due respect to the privacy of the funds which are being targeted by these mechanisms  
**Annual targets:**  
(Year 2)  
- International Guarantee Fund is assessed and piloted if assessment is positive  
- At least two other mechanisms that support and facilitate migrants' saving and investments in Kosovo are identified and assessed  
(Year 3)  
- At least two mechanisms that support and facilitate migrants' saving and investments in Kosovo are piloted | 2.1.1 Evaluate International Guarantee Fund model  
2.1.2 Facilitate concrete measures for piloting International Guarantee Fund model in case the evaluation study confirmed the feasibility of the IGF.  
2.2.1 Pre-assessment and mapping to identify various tested and innovative models that could facilitate and provide incentives for migrants and diaspora to invest and save in Kosovo  
2.2.2 Feasibility studies of at least two selected instruments or models to verify the viability of the models, including work plans to facilitate concrete activities.  
2.2.3 Facilitate concrete measures for piloting the selected models or instruments | IOM  
IOM  
UNDP, IOM, Ministry of Diaspora  
UNDP, IOM  
Staff cost: International Consultant  
Total budget EUR 20,000  
Staff cost: Institutional contracts  
Service companies  
Total budget EUR 200,000 | International consultants  
Total budget EUR 74,000  
Total budget EUR 50,000 |
**OUTPUT 3**

Evidence-based policies created by Kosovo authorities who have an improved capacity to produce and manage information related to migration and development, including gender-disaggregated data

**Indicators:**
- National Strategy on Diaspora is developed by national stakeholders
  
**Baseline:** no
  
**Target:** yes
  
**MoF:** Project report, National Strategy on Diaspora
  
- No of dedicated and qualified staff at the Ministry of Diaspora who are working on migration policy
  
**Baseline:** 1
  
**Target:** 3
  
**MoF:** Project report, Ministry of Diaspora reports
  
- Regular data collection on remittances by government
  
**Baseline:** not collected
  
**Target:** every 2 years at minimum
  
**MoF:** SOK Household Budget Survey

### Output targets:

3.1. National Strategy on Diaspora as well other policies and initiatives are in place, address the needs of Diaspora and provide incentives for migrants to invest and save in Kosovo

3.2. Produce information related to migration and remittances

**Annual targets:**

- Repeat the Kosovo Remittance Study in July-August 2011
- National Strategy on Diaspora is in place that address the needs of migrants to invest and save in Kosovo
- The key questions of Kosovo Remittance Survey are repeated on a regular basis and budgeted by the Kosovo authorities
  
**Baseline:** SOK Household Budget Survey

### UNDP, Ministry of Diaspora

3.1.1 Placement of an advisor at the Ministry of Diaspora through the Capacity Development Fund to support in drafting a National Strategy on Diaspora as well as other policies and initiatives

3.1.2 Provide technical assistance through consultants, experts and potentially direct support from the diaspora to the MoD for the development of the National Strategy on Diaspora as well as other policies and initiatives

3.2.1 Repeat the Kosovo Remittance Survey in 2011

3.2.2 Joint UNDP-IMF Prize on the Best Paper on Remittances

3.2.3 Institutionalisation of the Kosovo Remittance Survey

**UNDP, IOM, Ministry of Diaspora**

**National consultant**

Total budget EUR 9,000

**National consultants**

(dependent on the needs of the ministry)

International consultants

(dependent on the needs of the ministry)

Total budget EUR 50,000

Staff cost

National consultants

Service companies (collection of data, translation, layout, printing)

Total budget EUR 105,000

Staff cost

Prize

Venue

Total budget EUR 10,000

Staff cost

Management cost

International consultant (M&E)

Total budget EUR 484,382

**EFFECTIVE PROJECT MANAGEMENT**

(Year 1-3)

- The project meets the best practices and uses the lessons learned from other similar projects
- Monitoring and evaluation framework is in place

**UNDP, IMF, Central Bank, Ministry of Finance, Ministry of Economic Development**

**National consultant**

Total budget EUR 9,000

**UNDP, IMF, Central Bank, Ministry of Finance, Ministry of Economic Development**

**UNDP, Central Bank, Statistical office**

**Staff cost**

Management cost

International consultant (M&E)

Total budget EUR 484,382
## ANNEX 2 ANNUAL WORKPLAN

<table>
<thead>
<tr>
<th>TARGET</th>
<th>ACTIVITY</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
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<tbody>
<tr>
<td>Target 1.1</td>
<td>1.1.1 Mapping and feasibility analysis</td>
<td>8,000</td>
<td>8,000</td>
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<tr>
<td></td>
<td>1.1.2 Private sector Forum</td>
<td>40,000</td>
<td>40,000</td>
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<tr>
<td></td>
<td>1.1.3 Implementation support</td>
<td>10,000</td>
<td>50,000</td>
<td>60,000</td>
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<td>Target 1.2</td>
<td>1.2.1 Awareness-raising and advocacy</td>
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<td>10,000</td>
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<tr>
<td></td>
<td>1.2.2 Increase of financial literacy</td>
<td>10,000</td>
<td>20,000</td>
<td>30,000</td>
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<tr>
<td>TOTAL OUTPUT I</td>
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<td>0</td>
<td>78,000</td>
<td>80,000</td>
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<td>Target 2.1</td>
<td>2.1.1 Evaluate IGF</td>
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<td></td>
<td>2.1.2 Pilot IGF if evaluated positively</td>
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<td>40,000</td>
<td>50,000</td>
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<tr>
<td>Target 2.2</td>
<td>2.2.1 Pre-assessment and mapping study</td>
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<tr>
<td></td>
<td>2.2.2 Feasibility studies of selected 2 models</td>
<td>90,000</td>
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<tr>
<td></td>
<td>2.2.3 Pilot the selected models or instruments</td>
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<td>TOTAL OUTPUT II</td>
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<td>194,000</td>
<td>240,000</td>
<td>434,000</td>
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<td>Target 3.1</td>
<td>3.1.1 Advisor placed at the Ministry of Diaspora</td>
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<td>4,500</td>
<td>9,000</td>
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<tr>
<td></td>
<td>3.1.2 Technical assistance to the MoD</td>
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<td>25,000</td>
<td>50,000</td>
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<td>Target 3.2</td>
<td>3.2.1 Repeat the Kosovo Remittance Survey</td>
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<td>3.2.2 Produce academic studies on remittances</td>
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<td></td>
<td>3.2.3 Institutionalization of the Remittance Survey</td>
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<tr>
<td>TOTAL OUTPUT III</td>
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<td>112,500</td>
<td>36,500</td>
<td>25,000</td>
<td>174,000</td>
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</table>

| A. TOTAL OUTPUT I + OUTPUT II + OUTPUT III | 112,500 | 308,500 | 345,000 | 766,000 |

<table>
<thead>
<tr>
<th>BUDGET ITEM</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
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<tr>
<td>UNDP Project team staff costs</td>
<td>60,000</td>
<td>60,000</td>
<td>120,000</td>
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<tr>
<td>IOM Project team staff costs</td>
<td>85,500</td>
<td>85,500</td>
<td>171,000</td>
<td></td>
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<tr>
<td>UNDP Admin costs (including office equipment and other office costs)</td>
<td>15,000</td>
<td>15,000</td>
<td>30,000</td>
<td></td>
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<tr>
<td>IOM Admin costs (including office equipment and other office costs)</td>
<td>12,000</td>
<td>12,000</td>
<td>24,000</td>
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<tr>
<td>Communication (brochures, PR), participation to conferences etc.</td>
<td>15,000</td>
<td>15,000</td>
<td>30,000</td>
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<tr>
<td>Project monitoring</td>
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<td>5,000</td>
<td>15,000</td>
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<tr>
<td>Final evaluation</td>
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<td></td>
<td>20,000</td>
<td></td>
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</tbody>
</table>

| B. OTHER BUDGET ITEMS (SHARED COSTS) | 0 | 197,500 | 232,500 | 410,000 |

| C. GENERAL MANAGEMENT SERVICE | 0 | 29,215 | 34,925 | 63,240 |
| D. ADMINISTRATIVE AGENT FEE (1%) | 0 | 5,227 | 6,915 | 11,142 |

| TOTAL PROJECT BUDGET (A + B + C + D) | 112,500 | 540,442 | 597,440 | 1,250,382 |

| UNDP | 108,000 | 8,000 |      | 116,000 |
| NORWAY | 4,500 | 4,500 |      | 9,000 |
| FINLAND | 527,942 | 597,440 |      | 1,125,382 |

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