

SWOT Analysis of Diaspora Engagement as An Influencing Factor in Albanian Economy

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Abstract

Emigration is constantly considered by Albanians as one of the main opportunities to improve their economic situation. Since in early times, history knows periods of massive immigration. In the last 30 years, there has been continuous emigration, but the period of massive departures was in the beginning and end of the 90s. There is a great interest and attention on immigrants and mainly long-term ones and their role in economic development, but there is still a gap of knowledge, data and indicators for quality policy-making, related to programs and tools that can facilitate participation and strengthen ties with immigrant communities. Why should an immigrant invest in his country? Their emigration has always been closely related to economic conditions, but not only. Economic emigration has influenced the continuous monetary flows to the other part of the family remaining in a country. The cultivation of this factor must be related to legal aspects, with dedicated strategies and other initiatives that institutionalize and facilitate the investment potential of the diaspora. However, there are many hindering factors, such as the political climate, frequent tax changes, differences in development between regions, etc. that prevent the connection of the diaspora with the country. This paper presents a detailed overview of favorable and hindering factors, strong and weak points that affect the absorption of investments from the diaspora in our country. The literature and studies review identify the main positive and negative factors that influence the economic decisions of emigrants or diaspora to invest in their homeland. The second part of the paper is dedicated to structured interviews directed to the main public institutions that implement strategies and policies for migration and diaspora, as well as being part of the plan of their measures. The factors identified through the interviews and the factors driven by literature and studies review are divided in strengths, weak, opportunities and threats in a SWOT analysis.

Keywords: SWOT, Diaspora Engagement, Albanian Economy

Introduction

Studies and literature review

Albania and the Balkan countries have faced many times the movement of the population toward the developed countries for better economic conditions during their history of development. Immigrants' connections to the homeland have been strong and this is evident from the high and continuous level of remittances. Meyer and Shera (2017) have studied the impact of remittances on economic growth by conducting a fixed effects analysis of panel data for 6 Balkan countries. They concluded that remittances are positively related and significantly affect the economic growth of these countries. In 2021, Jushi et al with a VAR analysis with panel data for 8 Balkan countries found evidence for the impact of remittances and foreign direct investments on economic growth. According to them, the use of remittances only for consumption has weakened the positive effect on economic growth, therefore they suggest to create a suitable environment for new and successful investments and the best possible use of remittances. Jaupllari (2020) analyzes the efforts to establish structures such as the Subcommittee for Diaspora and Migration (part of the Permanent Parliamentary Committee for Foreign Policy) that support the diaspora and the engagement of this structure in the economic life of the country. According to the author, Diaspora policies developed in recent years have paid considerable attention to Diaspora Entrepreneurship. The Business Chamber of the Albanian Diaspora, established in November 2019 in Tirana under the assistance of the Albanian Diaspora Development Fund, is a private non-profit organization that supports the promotion, development and encouragement of capital investment from the Diaspora in Albania.

In an analysis made by Gëdeshi and King (2018), the new trends of potential to emigrate and the migration of Albanians were highlighted. In their study, they had a sub-sample of immigrants who returned to the country where about 80% were immigrants who returned from Greece and Italy. Only 8.1% of them defined the reason for investing in Albania as important. Meanwhile, 17.1% of the returnees were self-employed and about 55% of them wanted to emigrate again, citing the low level of income and poor working conditions in Albania as the reason.

According to an IOM (2020) study, the possibilities of immigrants to invest in their country were analyzed in 5 regions of Italy. Although 60% of the respondents have a higher education and more than 50% of them have obtained the highest qualification in Italy, they are not informed about Albania, and have not joined any formal or non-formal Albanian association as they think that the associations are not powerful in Albania. They transfer ideas, information and capital to Albania and about 23% of them want to increase business contacts in Albania, but very few of them want to move their business to Albania. The main reason they mention is the good quality of life in Italy and the low level of confidence in the development opportunities offered

by the country of origin. Finally, 24% are interested in investing in Albania in their field of education. mainly in the cultural sector and in a potential group of investors.

Those who were not interested in investing in Albania mentioned the same factors as problems or barriers to investment that were mentioned by those who had invested. Thus mentioned: bureaucratic efforts or costs from bureaucracy; unfavorable business environment; deficiencies in quality, efficiency and transparency of public administration, lack of coordination/cooperation with other actors; lack of management skills.

The countries of the Western Balkans, despite the positive developments, must create the appropriate mechanisms to include the diaspora in the country's economic life. (OECD 2022). According to this study, some of the recommendations are related to creating trust and strengthening the connection with the diaspora, encouraging the transfer of knowledge, formalizing remittances and more strategically attracting diaspora investments. Lack of trust in financial institutions and high costs of transferring money leads migrants to use informal transfer channels. In addition to the reasons directly related to the factors affecting business, there are other, more general reasons for not encouraging investments from the diaspora. Thus, one factor is the immigrant's lack of accurate information about what happens in Albania, lack of experience as an entrepreneur. Corruption and lack of meritocracy, lack of trust in public institutions and the political class are mentioned mostly as the factors that explain why doing business in Albania is difficult. Factors that are mentioned less, but that play their role are: the difficulty to get accurate information about the procedures of managing a business in Albania, poor infrastructure, declining population and emigration of talents.

Measuring the perception of focus groups in Albania through dedicated interviews

The strategic analysis related to the evaluation of the factors and dynamics that accompany migration is expanded and finalized in conducting several in-depth interviews mainly with institutions and organizations in order to measure their perception as well as to highlight obstacles related to the impact and effectiveness of policies, institutional engagement, or programs undertaken for emigration. The structured interviews are addressed to:

1. Representatives of line institutions at the central and local level in order to collect information on the characteristics of immigration, programs that stimulate the engagement of the Diaspora in Albania, the identification of gaps, obstacles in the available data as well as the identification of priorities for successful implementation of national strategies and action plans. In these populations, the main public institutions that implement strategies and policies for migration and diaspora, as well as being part of the plan of their measures, have been selected. Specifically, the institutions where the interviews were officially conducted are: - Ministry of Internal Affairs -

Ministry of European and Foreign Affairs - Institute of Statistics - Bank of Albania - National Agency of Diaspora - Council of Investments

2. Diaspora organizations - which were identified during the first phase of the development of the activity and which cooperate intensively with the institutions of the line. The selected organizations are Diaspora Business Chamber (Albania) and Germin Organization (Kosovo)
3. International organizations, which implement programs that stimulate the engagement of the Diaspora in Albania. Specifically: International Organization for Migration (IOM), Albania

And GIZ Albania, with the Migration and Diaspora program.

4. Academic networks - interviews with which will help identify concerns about scientific research issues in this field. The selected target group is the Faculty of Economy and the Faculty of Social Sciences, University of Tirana.

11 interviews were distributed in the institutions and organizations mentioned above.

In the first and second part of the interview, general information about the institution or organization is requested. In the third part of the interview, the opinion of the representatives of the institutions on the national policies in the field of Migration and Diaspora is discussed and requested. The fourth part of the interview is about networks and relations between civil society organizations, government institutions and international organizations. The institutions, except for the Bank of Albania, have identified a framework made up by mainly the same institutions and can be taken as a basis to increase cooperation between them.

Each of the institutions has cooperated with other institutions/organizations in its area of responsibility, i.e. INSTAT for data collection and data publication, the Ministry of the Interior in improving policies, legal framework and strategic documents related to the field and thus with queue. Most institutions cooperate with international organizations in building capacities and organizing awareness campaigns or different activities.

Technical SWOT Analysis

The answers given by the institutions above create a complete picture of all the factors that favor, hinder, should be improved or should be taken into consideration to further promote the inclusion of migrants in the economic life of the country. Taking into account all the factors that have been identified by different researchers, the opinions given by representatives of institutions that have a role in the drafting of policies for the attraction of immigrant investments (through structured interviews) and discussions with representatives of the diaspora at the Women's Summit in the Diaspora, the strengths, weaknesses, opportunities and threats related to migration and engagement of the diaspora in the economic sphere can be defined as follows

SWOT Analyses

STRENGTH		WEAK	
1	Economic Patriotism	1	Low quality of education level and extent in rural areas
2	Strategies dedicated to Diaspora and Migration, in line with international agendas	2	Higher concentration of young people in the city and relatively aging population in rural areas
3	Sectors with high development potential such as tourism, energy, transport, port infrastructure, manufacturing, agriculture	3	Disparity in the local development of different municipalities and the difficulty of identifying and involving the main actors in local development
4	Advantages in providing access to free economic zones	4	Difficulties in the distribution of services in rural areas, reducing interest in investment
5	New diaspora, still connected to the mother country and at a low level of assimilation	5	Unsupportive political climate and lack of voting rights for immigrants
6	More institutions present, governmental and non-governmental, dedicated to immigrants and the Diaspora	6	Consequences and challenges created by the crises of recent years (earthquake, Pandemic, current economic crisis)
7	The Law on Diaspora provides for local Diaspora offices in each municipality	7	The lack of a special statute for the Diaspora Investor and the lack of formal channeling of remittances
8	Procedures for registering a business are quick and low-cost; One-stop business registration and licensing procedures administration	8	Lack of statistical evaluations. Lack of annual statistics on diaspora, emigration and their impact, ineffectively influencing policy making. Lack of reliable data and statistics.
9	As a candidate country to join the EU, there is an opportunity for businesses operating in Albania to use EU support instruments, such as COSME and EU Pre-Accession Assistance Instrument (IPA) funds	9	Low level of financial education for both the immigrant and relatives in Albania Lack of information on access to financial support schemes for Diaspora entrepreneurs and Lack of support services for Diaspora businesses
10	Small business taxes are low, flat-based;	10	Lack of industrial parks, business infrastructure, business incubators and clusters

1	Digitization of services	1	Little standardization and low level of certification for businesses in Albania/Low level of use of e-commerce in Albania/Lack of efficient trade partnerships, export alliances, trade and commercial unions and cooperatives, etc
1		1	
1	Equal treatment of businesses, whether foreign or domestic	1	Lack of reliance on a satisfactory level of scientific research, inventions and technology/Unsatisfactory use of industrial property mechanisms, brands, logos, patents and trademarks.
2		2	
		1	High level Informality of the domestic economy and corruption/Property rights and related conflicts
		3	

OPORTUNITIES

1	Development of sectors with development potential, in particular tourism in all its dimensions (mountainous, traditional cultural, river, etc.), as well as natural resources such as water, energy and mining
2	Stimulating employment in tourism and other priority sectors/living standards and services will be improved.
3	The opening of negotiations with the EU will bring new reform standards
4	Albania has a lower employment cost compared to the EU average.
5	Various trade agreements to which Albania is a part / Opportunities that may come from regional agendas such as OPEN BALKAN,
6	Development of the MADE BY ALBANIANS brand, based on ECONOMIC PATRIOTISM, with potential to develop

THREATS

1	Mass population departures, and difficulties in re-integration for those who return
2	Little participation of young people in entrepreneurial decision-making / Unfavorable political climate
3	Continuation and extension of the crisis and the war in Ukraine
4	Insufficient budgets from public institutions to promote the support of programs for the Diaspora
5	Lack of sustainability/guarantees in investments
6	The distribution of unfair commercial practices is considered a risk for competition and the conviction of the Investor from the Diaspora

7	E-commerce is a very good opportunity to enter the market and to avoid the traditional treatment of the products that are sold.	7	The tax legal framework in Albania has been unstable and subject to several modifications and changes;
8	Albanian companies in the Diaspora convey innovation and know-how	8	Negative economic trends in international markets as a result of the last financial crisis have also affected the Albanian economy
9	Albania is considered a developing country and the market is not fully filled by operators and economic activities	9	Demographic difficulties are concentrated especially in rural areas, which have deficiencies in infrastructure, information and technology, should also be taken into account as very difficult challenges for the conduct of Investments

Conclusion

As a country that has a lot of emigrants, Albania is trying to benefit the most from this situation. Attracting diaspora to invest in their homeland is one of the main crucial issues of the policies in the recent years. As part of the international organizations, Albania has created new institutions in order to promote and stimulate the diaspora investing but still there is a gap between the policy and its implementation. The SWOT analysis presents the opportunities and the strength of investing in Albania, but it also identifies many factors that weaken the performance of diaspora investing. The main factors are related to disparities in economic level in different municipalities, low level of financial education, little standardization and low level of certification for businesses in Albania, Low level of use of e-commerce in Albania, Lack of efficient trade partnerships, etc.

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