

# A Study of Migrant-Sending Households in Serbia Receiving Remittances from Switzerland

No. 28

**IOM  
MIGRATION  
RESEARCH  
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IOM International Organization for Migration

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# **A Study of Migrant-Sending Households in Serbia Receiving Remittances from Switzerland**

Prepared for IOM by

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Geneva



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# **EXECUTIVE SUMMARY**

## **Background**

The Serbian diaspora in Switzerland is one of the largest foreign populations in the country. The migration of Serbian nationals to Switzerland is rooted, in large part, in Swiss labour migration policies of the 1960s, 70s and 80s when short-term “guest worker” permits were offered to thousands of migrant men and women, among them, a large number of Serbian nationals. Over the years, increasing economic hardship was the key factor motivating Serbian men and women to migrate to Switzerland, and ultimately, to remain there permanently. Consequently, by the time the Swiss government phased out the seasonal guest-worker programme in the 1990s, a large Serbian population had established permanent residency in Switzerland, a status which allowed them to facilitate a smaller but constant flow of new immigrants for the purpose of family reunification, resulting in a present-day Serbian diaspora of approximately 200,000 people.

This labour migration has had both positive and negative effects on migrant-sending households and communities in Serbia. On the one hand, migration to Switzerland has contributed to significant depletion of the working-age population in many migrant-sending communities; it has left behind households composed mainly of children and elderly people who are increasingly less capable of meeting their daily economic needs through traditional agricultural activities due to the absence of working-age relatives – a situation worsened by a deteriorated economic situation in the country at large. At the same time, long-standing transnational relationships between these households and their migrant relatives living in Switzerland have facilitated the ongoing flow of remittances and other forms of material support which contribute to the economic maintenance and well-being of migrant-sending households. The nature and impact of these remittance flows is the focus of this report.

## **Mandate and Methodology**

This work is sponsored by the Swiss Secretariat for Economic Affairs of the Government of Switzerland (SECO), and is one of a three-part investigation of migration and remittances linking Switzerland to Serbia carried out by the International Organization for Migration (IOM), the Swiss Forum for Migration and Population Studies (SFM) and the European Bank for Reconstruction and Development (EBRD). This report presents the results of IOM’s mandated work – an examination and analysis

of the migration history, remittance flows, use, and impact on migrant-sending families in Serbia with relatives in Switzerland. The results of this study aim to contribute to the enhancement of remittance flows from Switzerland and their associated development impact on both the country and migrant-sending households of Serbia.

Using a household survey methodology, IOM collected data from 343 migrant-sending households in two rural regions of central and eastern Serbia. Given that the survey was carried out only in rural areas of Serbia, the data is heavily biased towards the experience of rural-based families receiving remittances from Switzerland. To help offset this bias, the survey data was complemented by conducting a series of focus groups and key-informant interviews in Belgrade, as well as by reviewing relevant secondary literature listed at the end of this report.

### **Profile of Migrant-sending Households and Migrant Relatives in Switzerland**

Migrant-sending households from the surveyed areas are most commonly headed by older men with low levels of formal education. Only about half are engaged in the labour market, mainly as agricultural workers, whereas the rest are retired or unemployed. Their total household income averages 990 Swiss francs (CHF) – approximately 800 US dollars (US\$) – per month, 40 per cent of which comes from remittances. Migrant relatives living in Switzerland who originate from these households are most commonly the adult children or, in fewer cases, the parents of these Serbian heads of household. Having migrated to Switzerland in the mid-1980s, 20 years ago on average, most of these migrant workers left agricultural jobs behind to take up low-skilled and unskilled jobs in the Swiss-German speaking cantons of St. Gallen and Zurich where they continue living today. Future investments and programmes designed to enhance development in the region should take into account the limited education, experience and older age of the resident population while leveraging the relative youth and broader experience of their migrant relatives abroad, including them as partners in these development initiatives.

### **Remittance Flows and Longevity**

Emigration abroad has been the source of a large and increasing flow of remittances to Serbia, which today, make up a substantial source of foreign financial flows to the country. In 2004, the World Bank ranked Serbia among the top 11 countries in the world by value of remittances and even higher in relation to the share of GDP. Official remittance flow calculations are likely underestimated at the national level

due in large part to informal flows, which are under-reported and hard to measure. Researchers at the University of Belgrade estimate the flow to be close to US\$ 2.5 billion, while the International Monetary Fund (IMF) estimates it to be as large as US\$ 4.1 billion. As in other countries, remittances to Serbia constitute an important source of foreign exchange and play an important role in reducing poverty. Remittances are also believed to contribute to economic development at the local, regional and national levels.

At a microeconomic (household) level, IOM's research shows that remittances have a large presence and significant impact. Nearly all migrant-sending households from the two regions surveyed receive remittances from Switzerland. These households receive, on average, CHF 4,800 per year, although a small number of households receive much larger transfers of up to CHF 50,000 – most commonly for the purchase or upgrade of housing. In addition to cash remittances, many households receive non-cash remittances in the form of goods.

Apart from the size, nature and frequency of remittance flows, there is a question of longevity. The data show that Serbs in Switzerland have been sending money home for a very long time. Forty per cent of households surveyed have been receiving remittances for more than 20 years. The unusual longevity of remittance flows in this corridor is due in large part to the fact that remittances support regular consumptive costs which require ongoing support – a fact which is particularly true among elderly recipients who have no plans to relocate to Switzerland and no additional income-earning opportunities.

### **Transfer Mechanisms, Determinants and Frequency**

The vast majority of remittances in this corridor are sent through informal channels, either hand-carried by migrants, friends or acquaintances during visits home, or sent with bus drivers travelling back and forth regularly between Switzerland and Serbia, a practice which has historical roots. There is a long tradition of informal transfers in this corridor, illustrated by the fact that 83 per cent of respondents report that they have always received their money this way. The most popular formal transfer mechanisms are sending money via banks, although only 11 per cent of households report choosing this option. The use of private money transfer companies (MTOs) such as Western Union is almost non-existent. The reason for these choices is mostly a question of trust. People trust informal methods far more than formal mechanisms such as banks, which people systematically distrust for historical reasons. Financial and convenience costs are secondary determinant factors in people's decision-making process. Speed is a tertiary determinant. These issues help explain why more people

don't send their money through banks, even though almost half of the households interviewed have bank accounts, or via MTOs, where transfers can be made almost immediately.

In terms of frequency, one-third of households receive remittances once a month while another one-third of households receive money and/or goods just once or twice per year. The remaining one-third of households receive remittances at other frequencies. Surprisingly, the choice of migrants to use informal versus formal transfer mechanisms are not related to the frequency at which they are sending money or goods home; informal transfer methods are preferred across the board by both monthly and infrequent remitters.

## **Remittance Use and Determinants**

Remittances sent from Switzerland to Serbian households are mainly used to support recurrent living costs and basic needs, such as: utilities (water, electricity and gas), phone service, petrol for cars and farm machinery, food, medicine and health care, household appliances, and furniture. Only a small number of households use remittances to pay for basic education, reflecting the older composition of many recipient households. Remittances are very rarely used to pay for non-essentials such as loans to others or debt repayment. Remittances used for investment purposes are generally limited to housing or agricultural activities.

The use and investment of people's remittance income is determined by four main factors: The first is socio-demographic. Highlighted findings show that younger, less risk-averse households are the most active investors in small to medium-sized enterprise (SMEs). Female-headed households spend remittances more frequently on education and health than male-headed households. Higher-than-average-income households are the most active investors and savers. Older heads of household spend particularly high amounts of their remittances on health; those in their middle years are the larger investors in housing. The second factor in how remittances are spent is the environment in which they are received. In this case, the receiving environment offers people very few viable opportunities for investment beyond housing, land and agricultural activities, which is why investments are concentrated in these areas. Thirdly, remittance recipients' use and investment behaviour is determined partly by the fact that they have limited exposure to, knowledge of and/or ease with other forms of investment, such as investment in SMEs, and are generally risk averse. The final factor is people's access to and attitudes towards financial services. Findings show that although nearly 50 per cent of recipient households have a bank account, few use it for more than cash-flow management, either because they feel they don't

need banking services or because of lack of trust in banks – a fact which contributes to low rates of investment and savings.

## **Impact of Remittances on Recipient Households**

IOM's research on the impact of remittances from Switzerland on Serbian households focused on four specific areas: poverty (and assets), health, housing and education. Research showed that on average, remittances constitute 40 per cent of total household income in the surveyed areas, supplementing earned and/or pension income. Remittances constitute a critical part of basic financial well-being in large numbers of migrant-sending households and keep some of the most vulnerable households out of poverty. In most cases, remittances have contributed to the acquisition and/or expansion of one large financial asset – housing – thus contributing to people's socio-economic status, physical safety and economic security. However, in the rural areas surveyed, these investments are perhaps not ideal; many of these homes are drastically underutilized, sitting empty the majority of the year, and offer little rental potential or resale value in an area hard hit by emigration and economic stagnation. Housing investment in urban areas may be a better investment due to rising housing values and broader demand. Apart from housing, remittances spent on medicine and health care serve as a form of supplementary financing, protecting the erosion of basic household assets, but are not improving people's access to medical care. In terms of education, remittances help support education costs in a small number of households, but are not making an essential difference in the choice or ability of students to advance with their studies.

## **The Special Case of Remittances to Belgrade**

The socio-economic profile of migrant-sending households from non-surveyed parts of Serbia, particularly in urban areas such as Belgrade, may differ significantly in composition and patterns of migration and remittance flows, which are important to the outcome of this study and its corresponding recommendations. Focus group research involving representatives of 16 migrant-sending families in Belgrade hint at these differences, but additional research is necessary to confirm these findings. In general, it seems likely that Serbian migrants from Belgrade are more likely to be higher skilled than their rural counterparts. Urban migrants probably maintain transnational ties with their relatives back home but may visit and send remittances less frequently than migrants from rural areas. This group may use remittance funds more frequently as a financial safety net than as a regular income stream for the reasons aforementioned; urban recipient households are likely to be better off economically and have younger members at home who can generate earned income to complement

remittance flows. The transfer of goods is likely to be equally as frequent as in rural areas but investment in housing may be less common, either because migrants prefer to purchase housing and property in Switzerland where they envision their future and retirement, and/or because housing investment opportunities in Belgrade may be more limited and/or unaffordable. Like rural migrants, urban migrants most commonly deliver remittances by hand and only occasionally use banks to transfer funds, suggesting that financial services may be underdeveloped and underutilized by the urban diaspora as is the case with their rural counterparts, and because urban migrants may also lack trust in the banking system. On the other hand, urban migrants and their relatives may be better positioned than rural migrants to engage in investment activities, such as SMEs, or to save larger amounts of capital due to their relatively better socio-economic position and lighter remittance burden.

## Conclusion

Based on the research findings, IOM recommends three broad strategies for enhancing remittance flows from Switzerland and the economic development impact in Serbia.

*Strategy 1 – Improve formal transfer services to increase remittance flows through formal channels:*

1. Improve/streamline banking and financial policies and practices to allow for more competition;
2. Form and promote new partnerships between financial services providers in Switzerland and Serbia;
3. Increase banking literacy among remittance senders and receivers;
4. Distribute information about remittance transfer services and their comparative advantages and disadvantages.

*Strategy 2 – Improve financial services for migrants and migrant families to better integrate them into the formal banking system, facilitate formal flows, increase savings and expand investment:*

1. Link remittance transfer services to savings;
2. Allow migrants to hold foreign currency accounts and recipients to withdraw in foreign currency;
3. Provide affordable credit for SME development;
4. Provide technical assistance and business training for SME development;
5. Provide credit for migrant housing;

6. Create new/special financial products for women, older and younger remitters and recipients;
7. Build on the Serbian Ministry of Diaspora's business investment initiative.

*Strategy 3 – Increase philanthropic investment by the Serbian diaspora in physical infrastructure and social development projects:*

1. Strengthen relationships between Serbian diaspora groups in Switzerland and institutional partners in Serbia;
2. Enhance the capacity of migrant leaders for project design and implementation;
3. Establish a matching fund scheme;
4. Facilitate the transfer and use of migrants' skills and knowledge to support philanthropic development projects.

## **I. INTRODUCTION**

In the past two decades, economic remittances have fast become a major source of income for many migrant-sending countries. At the household level, migrant remittances are making significant contributions to poverty reduction; remittances also constitute a growing source of foreign exchange, enabling countries to acquire vital imports or pay off external debts. Additionally, there is growing awareness and evidence of the potential contribution remittances can make to economic development in migrant-sending countries at the local, regional and national levels.

### **Definition of Remittances**

Migrant remittances are defined broadly as the monetary transfers made by migrants to their country of origin, or simply, financial flows associated with migration. Most remittances are personal cash transfers from a migrant worker or immigrant to a relative in the country of origin, but they can also be funds invested, deposited or donated by the migrant in the country of origin, or in-kind personal transfers and donations – transfers of skills and technology, as well as “social remittances”.<sup>1</sup> The scope of this report, however, is limited to monetary transfers, with some small references to the transfer of in-kind goods.<sup>2</sup>

### **Project Mandate**

Recognizing that remittances are, above all, private transfers but ones which also offer important development possibilities for developing and transition countries, the State Secretariat for Economic Affairs (SECO) of the Government of Switzerland commissioned a study in the fall of 2005 on the subject in one particular remittance corridor – Switzerland to Serbia. The study included in-depth data collection and analysis of the nature of the Serbian diaspora in Switzerland and their families in Serbia, the size and nature of remittance flows in this corridor, patterns of remittance transfer and use, their impact on recipient households, the policies, infrastructure and institutions which facilitate or impede these transfers, and the potential of these remittances to enhance economic development.

Three institutions were engaged to carry out different aspects of this research and analysis at both ends of the remittance chain, including: the International Organization for Migration (IOM), the Swiss Forum for Migration and Population Studies (SFM), and the European Bank for Reconstruction and Development (EBRD). EBRD was charged with an analysis of the legal framework, banking practices and financial laws which help or hinder remittance flows to Serbia and their investment potential. IOM



was charged with examining the migration histories, socio-economic profiles and remittance behaviours of migrant-sending families in Serbia receiving remittances from relatives in Switzerland, including patterns of remittance use and investment, and the impacts of these flows on the well-being of these migrant-sending households. The SFM was charged with investigating the migration histories, socio-economic profiles, and remittance patterns and determinants of Serbian men and women living in Switzerland.

This report specifically presents the results of IOM's mandated work, in particular, the volume, frequency, transfer mechanisms, use, determinants, and impact of remittances on transnational Serbian households receiving support from relatives in Switzerland. This report concludes with recommendations for ways in which these remittance flows and their development impacts can be enhanced.

## **Methodology**

Data for this study was primarily gathered using a face-to-face household survey methodology. The survey was carried out with the self-identified heads of 343 Serbian households with relatives living in Switzerland. Surveyed households were drawn from ten villages located within two migrant-sending regions of central and eastern Serbia – Petrovac na Mlavi and Cuprija – areas with strong links to Switzerland (see Figure 1).<sup>3</sup> The specific villages involved include: Ranovac, Manastirica, Melnica, Setonje, Stamnica, Supska, Cuprija, Isakovo, Vlaska and Batinac.

Entry into each target region and identification of households eligible for the survey began with a series of initial meetings with municipal government representatives who introduced IOM project staff to relevant village leaders. These village leaders were then engaged in the project as "Community Guides."

Community Guides were responsible for identifying households eligible to participate in the study. Eligible households included those in the chosen villages with a relative who had migrated abroad and was currently living in Switzerland. Receiving remittances from Switzerland was not a required criterion, although nearly all participating households have received some sort of financial or material support from their migrant relatives in recent years. No further stratification was used. This was therefore not a random sample but rather a sample drawn from social networks and snowball sampling techniques.<sup>4</sup>

Once eligible households were identified, a formal invitation to participate in the study was extended and details about the project were provided. Participation was purely voluntary and informants received no form of payment for their time.

FIGURE 1  
MAP OF SERBIA INDICATING LOCATION OF PETROVAC NA MLAVI AND CUPRIJA  
– DATA COLLECTION SITES



Household surveys were conducted by a six-member data collection team over an eight-week period, from the beginning of February to the end of March 2006. Each day during the survey period, the IOM research team traveled from Belgrade to the surveyed regions, met briefly with the Community Guides, and then proceeded to households scheduled for interviews that day. The surveyors worked in gender-mixed teams of two and completed an average of 10 to 12 surveys per day. Each individual household survey lasted approximately 45 to 60 minutes. For the most part, the data collected from each household was completed; however, in a few cases, respondents did not wish or were not able to provide accurate financial data on income and/or remittance flows.

The survey tool used, Annex 1 of this report, consists of four sections, including: (I) Establishing the Context, (II) Migrant and Household Profile, (III) Remittances, and (IV) Impacts. The survey tool featured 30 “closed” questions and five (5) additional “open” questions to solicit more narrative responses. The data collected for the household survey was recorded and analysed using SPSS statistical software.

Given that the survey was carried out in two rural areas of Serbia, the data focuses on the experience of rural-based families receiving remittances from Switzerland. This represents a limitation in the data set as the patterns and experiences of migrant-sending families in other rural parts of the country, and in urban centres, may differ. However, given the large size of the data set (343 households) and that the Serbian diaspora in Switzerland is believed to be mainly of rural origins, the data collected and discussed in this report should be considered reliable and generalizable to a large extent.

FIGURE 2  
THE IOM RESEARCH TEAM CONDUCTING HOUSEHOLD SURVEYS  
IN PETROVAC NA MLAVI



To help identify possible differences in the migration experience, remittance patterns and investment practices of families from Serbia's urban areas, a final phase of data collection using focus group methodology was carried out in Belgrade during the first two weeks of April 2006. Sixteen residents of Belgrade with migrant relatives in Switzerland participated in these two focus groups. The questions posed during these research sessions are included as Annex 2 of this report.

In addition to the household surveys and focus groups, semi-structured interviews were carried out with nine key informants, including: representatives of the Serbian Ministry of Diaspora, the Swiss Embassy and the Swiss Agency for Development Cooperation (SDC), Eki Transfers – representing Western Union – the World Bank, the University of Belgrade Department of Economics, municipal government offices and village leaders, as well as the owner of a bus company linking Geneva (Switzerland) and Petrovac na Mlavi (Serbia). A review of relevant secondary literature complemented the primary data gathered. Names of the specific papers reviewed are listed at the end of this report.

## **Report Outline**

This report is divided into eight parts. Part I is this introduction. Part II presents a historical summary of the socio-economic conditions and the migration policy context that has facilitated this migration and remittance flow. Part III presents a socio-economic profile of the migrant-sending households in Petrovac na Mlavi and Cuprija who participated in the survey and their migrant relatives in Switzerland. Parts IV and V present and analyse survey findings of remittance flows, frequency and transfer patterns. Part VI discusses patterns of remittance use and investment, including a discussion of the relevant determinants. Part VII focuses on the impact of these remittance flows on the economic and social well-being of migrant households. Part VIII concludes by highlighting the main findings of this report and offering recommendations for future interventions and strategies to enhance remittance flows in this corridor and their development impact.

## II. BACKGROUND AND CONTEXT

The Serbian diaspora, which today is one of the largest foreign populations in Switzerland, has its roots in Switzerland's labour migration policies of the 1970s, 80s and 90s, and in the economic and political situation of the former Yugoslavia during this same period. After the end of World War II, when the demand for industrial production to rebuild Europe was high, Switzerland was confronted with a work-force shortage. To meet this demand, the Swiss government signed short-term labour migration accords with Spain and Italy.<sup>5</sup> Over time, many of these seasonal "guest workers" qualified for annual and permanent residency, prompting a significant rise in the percentage of foreigners in the Swiss population. In 1970, Switzerland adopted a new "stabilization" immigration policy which aimed to strike a balance between the perceived threat of the growing foreign population and the continued need for immigrant labour to fuel the Swiss economy.<sup>6</sup> A limited number of temporary permits were made available to workers from several neighbouring countries, including the former Yugoslavia. It was under this migration scheme that large numbers of Serbian migrants came to Switzerland to work over the following two decades.

In the 1990s, the Swiss government began phasing out the seasonal guest-worker programme, which ended formally in 2002. Under pressure to build more open relations with the European Union (EU), a new migration framework was introduced restricting labour immigration to citizens of the EU and to a small number of high-skilled workers from outside the region, a policy which continues today.<sup>7</sup> Consequently, migration opportunities for citizens of the former Yugoslavia changed quickly, making access to the Swiss labour market increasingly difficult. However, by this time, a large Serbian population had already established permanent residency in Switzerland, a status which allowed them to facilitate a small but constant flow of new immigrants for family reunification, feeding a present-day Serbian diaspora of approximately 200,000 people.<sup>8</sup>

Beyond the offer of legal labour migration opportunities and the role of social networks in facilitating migration in this corridor, people have historically left – and continue to leave – Serbia mainly because of lack of adequate employment opportunities at home; this fact is reflected in the current 18 per cent unemployment rate. This situation is the result of both globalization processes and the deconstruction of the social state in Serbia in recent years, which has not sufficiently supported the development or expansion of private enterprises or public institutions that can provide decent employment for the large number of people who want and need to work.<sup>9</sup>

This historical context is clearly reflected in the findings of this research initiative. Residents of Petrovac na Mlavi and Cuprija, study sites for IOM's household survey,

recall the beginning of large-scale emigration to Switzerland, as well as to other neighbouring countries such as Austria and Germany in the late 1960s and early 1970s. Findings show that the heaviest migration period was from 1976 to 1991, with the largest number of people leaving these areas in 1986, to take advantage of economic opportunities. A decline in migration in the 1990s was due to new, restrictive labour migration policies imposed during that period. Since then, it has mainly been family reunification which has continued to feed the migration chain. Figures 3-5 reflect this finding and illustrate that the vast majority of people claim economic hardship and the opportunity to work legally abroad as the main motivating factor for migration to Switzerland, particularly in the 1970s and 80s. Later migration was mainly for family reunification purposes. Few respondents in the surveyed areas report emigration of their relatives for political reasons.

FIGURE 3  
REASONS WHY MIGRANT RELATIVES EMIGRATED FROM SERBIA

	Per cent			
	Entire Data Set	1968 to 1990	1990 to 2005	2000 to 2005
Economic hardship	76	78	63	55
Join relative	16	8	31	36
New opportunities	7	12	3	4.5
War and other	1	2	3	4.5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

FIGURE 4  
THE INITIAL DEPARTURE DATE OF THE MIGRANT

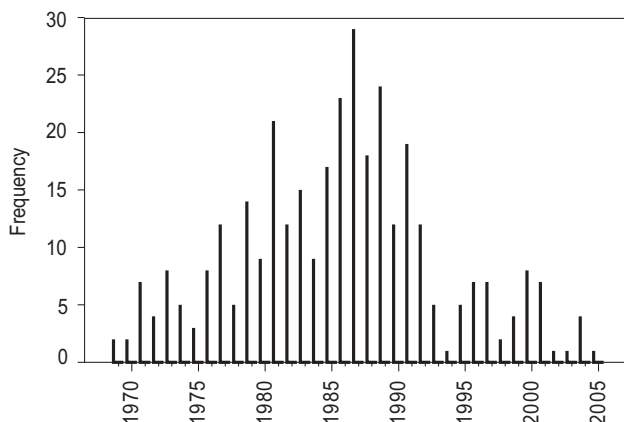
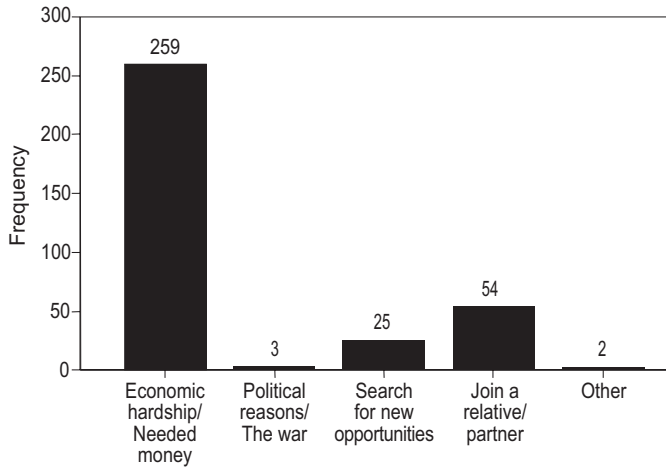


FIGURE 5  
WHY MIGRANT RELATIVES LEFT SERBIA



As briefly referenced earlier, in addition to the Swiss migration policy of the 1970s, 80s and 90s, which strongly influenced the pattern of Serbian migration to Switzerland, migration policies and economic conditions in the former Yugoslavia during these decades also played an important role. In Yugoslavia, the Tito government had actively discouraged emigration for work purposes until the early 1960s and suddenly changed its approach as unemployment began growing. Starting in 1965, a new policy actively encouraged workers to go abroad primarily as guest workers. By 1973, 1.1 million Yugoslavs lived abroad; 900,000 of them were in Western Europe, mostly in Germany and Austria as well as a growing number in Switzerland.<sup>10</sup> During the 1980s and 90s, this open emigration policy by the Yugoslav government, along with other factors – such as the possibility of obtaining permanent residency in Switzerland after a specified period of time as a seasonal worker, renewed economic growth in Switzerland, favourable family reunification conditions, and later, the war in Yugoslavia – all contributed to a large and steady emigration flow.<sup>11</sup>

The majority of Serbian migrants living in Switzerland are likely to originate from rural areas, the communities that provided large numbers of men and women interested and willing to participate in seasonal guest-worker programmes during the 1970s and 1980s, the peak migration years in this corridor, and from where members of their families joined them in later years. The municipalities of Petrovac na Mlavi and Cuprija, the regions where data for this study were mostly collected, are good examples of migrant-sending regions in Serbia with strong links to Switzerland. Both of these municipalities, 114 and 145 kilometres south of Belgrade respectively, are



primarily agricultural regions with low levels of industry or other kinds of economic activity. Petrovac na Mlavi is home to approximately 46,000 inhabitants spread over 34 small villages. Cuprija is similar with approximately 40,000 inhabitants spread over 21 small villages. Historically, the majority of families in these municipalities have made their living through agricultural activities because very few other employment opportunities exist and most people's level of formal education and technical training is inadequate for other kinds of work. In these areas, people have historically not suffered extreme poverty, but have made due with basic income levels and poor-quality local services and infrastructure.

Lack of opportunities for improved quality of life and a worsening economic situation, including growing rates of unemployment and falling incomes due to declining market prices for locally produced agricultural goods, are the factors that motivated most men and women from these regions to pursue work opportunities abroad. This migration and the consequent sending of remittances has been therefore many people's private solution to unmet economic needs for adequate employment and income earning opportunities. As we will discuss in detail in the sections that follow, emigration from and remittances to this region have had many important and positive impacts on local households, keeping people out of poverty, increasing their assets and covering the cost of many of their basic needs.

At same time, the emigration phenomenon to Switzerland, as well as to other parts of Western Europe over the past several decades, has also had numerous negative effects on Petrovac na Mlavi and Cuprija. For one, emigration has contributed to significant population decline in nearly every local village. This population decline has further weakened the ability of local families to generate sufficient income from their agricultural activities due to lack of viable manpower. In two surveyed villages, approximately one-third of the population of the village now lives abroad with Switzerland as their primary destination. In a third village, where there were once 750 households and a population of 4,000 people, today only 300 households remain, equalling a population loss of more than 50 per cent. In that village, only ten children were born in 2003, all but one of which now live in Switzerland.<sup>12</sup>

Emigration has also contributed to the division of families, upsetting traditional patterns of multiple generations living together and providing social and economic support to one another. The population that remains in these areas is increasingly elderly in composition with growing dependency on external forms of economic support. In fact, survey results show that although many migrant-sending households describe their living conditions as having been worse both in terms of physical infrastructure (e.g. housing) as well as income prior to their relative's migration to Switzerland, the majority of people report that "things were much better before", and that "people



lived better”. These perspectives are partly due to the political shift from a socialist to a capitalist system that has occurred in the region, whereby previous systems of state-sponsored social and economic support were drastically reduced, leaving many older people feeling vulnerable and nostalgic. Their comments also refer to the erosion of solidarity within individual families due to emigration which has left many older people to suffer from solitude, loneliness and lack of care. Migration has also drastically reduced the number of young families and children in these regions – populations which in the past provided both social stimulation and a larger work force to the community. Additionally, in the past, agricultural outputs were large and local products could be sold at administered prices, allowing people to live from this economic activity without reliance on outside income sources to meet their basic needs.

Clearly however, migration out of the region to Western Europe has also had many important and positive impacts on migrant-sending families – providing people who go abroad with better employment and income-earning opportunities, and facilitating an ongoing, transnational flow of remittances and other forms of material support which contribute to the economic maintenance and well-being of migrant-sending households in the region. It is within this historical context that the data presented in this report rests.

### III. PROFILE OF MIGRANT-SENDING HOUSEHOLDS AND THEIR RELATIVES LIVING IN SWITZERLAND

#### Profile of Migrant-sending Household Heads with Relatives in Switzerland

In order to elaborate on the context within which remittances from Switzerland are received and future investments and programmes to enhance their impact might rest, we present here a brief profile of migrant-sending households in the surveyed municipalities of Petrovac na Mlavi and Cuprija, and some socio-demographic details about their relatives in Switzerland.

Serbian households with relatives in Switzerland vary widely in profile but in the surveyed areas, certain dominant characteristics can be seen, as Figures 6-10 illustrate. Findings show that the majority of migrant-sending households in these regions are headed by older men who possess very low levels of formal education. Two-thirds of heads of household in Petrovac na Mlavi and Cuprija have a primary school education and 18 per cent have no formal education. Only a small minority (13%) of heads of household possess a secondary school education, and even fewer people (3%) have completed some form of technical training beyond secondary school or a university degree.

Just over half of migrant-sending heads of household are actively engaged in the labour market, a very low participation rate, either because people are retired or due to voluntary or involuntary unemployment. Among those heads of household who do work, most are engaged in agricultural activities, reflecting the limited labour opportunities in the surveyed regions (see Figure 9).

FIGURE 6  
GENDER OF HEADS OF HOUSEHOLD

	Per cent
Male	69
Female	31

FIGURE 7  
AGE OF HEADS OF HOUSEHOLD

	<b>Age (years)</b>
Range	16 to 84
Average	57

FIGURE 8  
LEVEL OF EDUCATION OF HEADS OF HOUSEHOLD

	<b>Per cent</b>
None	18
Primary	66
Secondary	13
Technical School	1
University	2

FIGURE 9  
ECONOMIC ACTIVITY OF HEADS OF HOUSEHOLD

	<b>Per cent</b>
Agricultural worker	40
Retired	30
Business owner	4
Housewife	2
Skilled tradesperson	2
Professional	1
Unskilled worker	1
Student	1
Unemployed/search work	1
Sales/Services	1
Other	5
NA	12

FIGURE 10  
TOTAL MONTHLY HOUSEHOLD INCOME

	Amount	Per cent
Remittance income (estimated)	CHF 400	40
Non-remittance income (earned income, pension, etc.)	CHF 590	60
<b>Total monthly household income</b>	<b>CHF 990</b>	<b>100</b>

The vast majority of migrant-sending households are composed of two people with an average monthly household income of CHF 990, a figure which includes both estimated monthly remittance income as well as earned income and pension payments (see Figure 10). This figure is significantly above the national poverty line for Serbia, which is estimated at approximately CHF 120 per month per household.<sup>13</sup>

### Profile of Migrant Relatives in Switzerland

Research also provided information about the socio-demographic profile of migrant relatives originating from the surveyed areas who now live in Switzerland. As Figures 11-13 illustrate, the majority (75%) of the migrant relatives of people surveyed are men who range in age from 25 to 72 years of age, with an average age of 47 years in 2006. Given that the largest number of migrant relatives left Serbia for Switzerland for the first time in the mid-1980s, most of these migrants were therefore in their mid-20s upon departure. It was generally the young, employable men, as well as young couples and others who had the resources to finance their migration, who left first – often leaving their children behind to be cared for by grandparents. As a result, most migrants in Switzerland are the children, or alternatively, the parents of the heads of household who participated in this survey.

FIGURE 11  
GENDER OF MIGRANT RELATIVES

	Per cent
Male	75
Female	25

FIGURE 12  
YEAR OF BIRTH OF MIGRANT RELATIVES

	Year of birth
Range	1934 to 1981
Average	1959 (47 years old in 2006)

FIGURE 13  
RELATIONSHIP OF THE MIGRANT RELATIVE IN SWITZERLAND  
TO THE HEAD OF HOUSEHOLD IN SERBIA

	Per cent
Child	63
Parent	20
Spouse	8
Grandchild	4
Sibling	3
Other	2

FIGURE 14  
WHY RELATIVES WENT TO SWITZERLAND  
INSTEAD OF ANOTHER COUNTRY

	Per cent
Knew/joined someone there	68
Offered work/possibility to work	24
Could fulfill immigration requirements	7
Other	1

Heads of household explain that their relatives went to Switzerland, rather than to other labour migration destinations such as Germany or Austria, primarily because of social networks of friends, family and acquaintances who had already established residency and work in Switzerland and could therefore help facilitate their migration (see Figure 14). This helps explain the strong link between the two surveyed regions and the Swiss Cantons of Zurich and St. Gallen, home to two-thirds of the Serbian relatives from Petrovac na Mlavi and Cuprija. Only 10 per cent of households report having relatives living in the French-speaking part of Switzerland, and less than 2 per cent in the Italian region (see Figure 15).

FIGURE 15  
SWISS CANTONS OF RESIDENCE – MIGRANTS

	Per cent
Zurich	32.0
St. Gallen	31.0
Basel	7.0
Bern	7.0
Geneva	4.0
Vaud	3.0
Valais	3.0
Ticino	1.5
All other (widely dispersed)	11.5

FIGURE 16  
REASON FOR RELATIVE'S MIGRATION TO SWITZERLAND

	Per cent		
	All	Men	Women
Economic hardship	76	77	70
Join relative	16	14	22
New opportunities	7	7	8
War and other	1	2	-

Migration to Switzerland from the surveyed regions has been primarily an economic migration. It favours both male and female migrants, although not surprisingly, there are slightly higher rates of family reunification for women presumably because many men migrated first alone and then brought their wives to join them after establishing residency (see Figure 16). The vast majority (87%) of migrant relatives living in Switzerland who originate from surveyed areas have paid employment, mainly in unskilled and low-skilled jobs. Women are concentrated in the health care and cleaning sectors while men are concentrated in unskilled (manual) jobs and skilled trades. Professionals are nearly non-existent (see Figure 17). The low-skilled nature of this diaspora's work can be partly explained by the low level of formal education that this population possesses, the majority of which have only a primary school education (see Figure 18). One final note is that when asked about people's livelihood activities before emigration, respondents explained that most of their relatives were agricultural workers or were unemployed, although no one reports having a migrant relative working in agriculture in Switzerland.

FIGURE 17  
MIGRANT RELATIVES' WORK IN SWITZERLAND

	Per cent		
	All Data	Women	Men
Unskilled worker (including factory worker)	28	16	33
Skilled tradesman	21		29
Food service	8	12	7
Driver	7		10
Cleaning	7	25	
Health care worker	6	20	
Sales	3	13	
Business owner	2		
Government employee	1		
Professional	1		
All other economic activities	9		
Retired	7		8

Note: Figures for women and men illustrate only the most important categories. Percentages for other categories are very small and consequentially are not included.

Survey findings also show that this is a family-oriented diaspora. Nearly all (90%) of people's migrant relatives in Switzerland are married, almost always to another Serbian national, and have, in most cases, one or two children. In 13 per cent of cases, the migrant's spouse lives in Serbia and in 28 per cent of cases, the migrant's children live in Serbia, providing motivation for regular travel and transnational economic activities, such as the sending of remittances, as we will discuss in later sections of this report.

FIGURE 18  
COMPARATIVE EDUCATION LEVELS

	Per cent	
	Migrant Relatives	Heads of Household in Serbia
None	4	18
Primary	69	66
Secondary	21	13
Technical School	1	1
University	2	2
NA	3	

This socio-economic profile of migrant-sending households and their relatives in Switzerland provides important clues as to the kind of investment opportunities and limitations that may be possible in rural areas of Serbia such as the ones surveyed for this study. Some points to consider include:

- Given the limited educational and professional backgrounds of both migrants and their origin households in Serbia, new initiatives and programmes designed to attract investment and participation by these populations will require a substantial educational component.
- New investment and economic development schemes should take into account the composition of the family members who remain behind – specifically, the aging parents and/or children of migrants in Switzerland. Initiatives that can support these ageing populations or provide additional economic opportunities for adult children would be welcomed.
- Further investigation may uncover a small but important number of migrant-sending households and/or migrants living in Switzerland who possess exceptional levels of education, experience or financial resources and may be interested in playing a leadership role in regional investment initiatives.
- Grass roots economic development initiatives are needed which take advantage of the experience and natural resources available to rural populations, acknowledging the many personal constraints faced, as well as the broader constraints of poor infrastructure and limited manpower. At the same time, new investments could draw on migrants' diversified work experience, slightly higher levels of education and relative youth.
- Relatively high average-income levels for migrant-sending households in this survey suggest that there may also be opportunities to provide these households with enhanced mechanisms for savings.

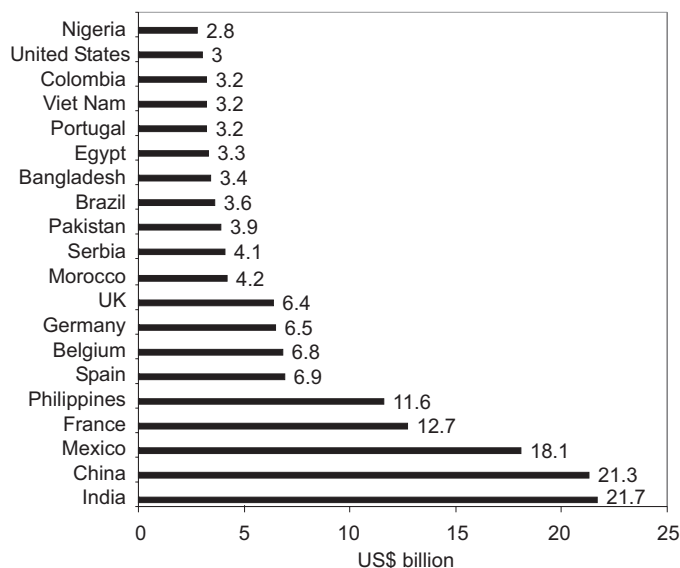


## IV. REMITTANCE FLOWS AT THE MACRO AND MICRO LEVELS

### A Macroeconomic Perspective on Remittance Flows to Serbia

Although thousands of Serbian men and women now reside permanently in Switzerland, many of them continue to maintain close contact and relationships with their home country and family members and friends living there. One indicator of the importance of these transnational ties is the extensive practice of sending remittances home, either for the purpose of private investment, and/or to contribute to the economic maintenance and well-being of their relatives. In fact, remittances to Serbia from Switzerland now form an important part of a large and growing flow of remittances to the country sent by Serbs living and working in many different European countries, the United States, and elsewhere. In recent years, remittance flows to Serbia have become so large that in 2004, the World Bank placed Serbia in the world's top 11 remittance-receiving countries with an estimated inflow of US\$ 4.1 billion, representing 17.2 per cent of Serbia's GDP that year (see Figure 19 below).<sup>14</sup>

FIGURE 19  
TOP 20 REMITTANCE-RECIPIENT COUNTRIES, 2004



Source: World Bank, *Global Economic Prospects 2006*, derived from IMF *BoP Yearbook* figures.

Remittances to Serbia are part of an enormous flow of money being sent by migrants to nearly every developing country around the world, a flow which was recently estimated by the World Bank at US\$ 167 billion. Although measurement uncertainties exist, mainly due to large unrecorded remittance flows moving through formal and informal channels, the true size of the global remittance flow may be as much as 50 per cent higher. Remittance figures have dramatically increased in recent years partly due to improved data collection methods and a surge of new academic research on the subject, although large gaps still remain in the available data and the reliability of many estimates is still very limited. However, remittance flows have also increased due simply to growing migration flows, improved remittance transfer services and more supportive government policies which encourage more people to send more money home, particularly through formal channels.<sup>15</sup>

Regardless of their exact size, remittances have attracted growing attention from policymakers and researchers at the highest levels in both developed and developing countries.<sup>16</sup> Migrant remittances constitute an important source of foreign exchange, enabling countries to acquire vital imports or pay off external debts. Remittances are also believed to play an important role in reducing poverty; there is growing awareness of the potential that remittances have to contribute to economic development in migrant-sending countries at the local, regional and national levels,<sup>17</sup> although the evidence of the effects that remittances have on long-term growth remains inconclusive. Still, in economies with underdeveloped financial systems, remittances appear to alleviate credit constraints and may stimulate economic growth.<sup>18</sup>

In the case of Serbia, the macroeconomic importance of remittances were discussed in a January 2006 publication entitled: *Migration Remittances and External Balance: A Panel Model of the SEE Countries and a Case Study of Serbia*, by Dr Milena Jovicic and PhD candidate Radmila Dragutinovic Mitrovic of the University of Belgrade's Department of Economics. They explain:

*As the first communist country to allow free travel abroad in search of jobs in the early 1970s, the former Yugoslavia has a long tradition of large economic emigration and significant remittance inflows. These trends became even stronger after the disintegration of the country in 1991...After a decade of economic collapse under Milosevic's regime, transforming Serbia into an open market economy and achieving sustainable growth largely because of capital inflows, rapid economic reconstruction since 2000 has caused a swiftly growing trade deficit with the export/import ratio falling from 78% in 1994 to only 34% in 2004 (2006: page 13).*

Remittances now make up a substantial source of foreign financial flows to the country, matched only by imports of consumer goods, two variables which depend on one another, directly or indirectly.

While remittance flows to Serbia are undoubtedly large in both size and importance with regard to the national economy, accurate estimates of the true size of this financial flow have been difficult to calculate. Official figures published by the National Bank of Serbia have likely drastically underestimated the total flow due to the way in which calculations are derived, as well as the large percentage of remittance transfers made through informal channels which are difficult to accurately measure.

In order to better estimate the size of Serbia's remittance inflow at the national level, Jovicic and Dragutinovic Mitrovic carried out a macroeconomic study of national remittances, taking into account money transferred through both formal and informal channels and combining several sources of financial data, to arrive at a newly estimated figure. They conclude that annual remittance flows to Serbia totalled nearly US\$ 2.5 billion in 2004, a figure nearly six times larger than estimates made by the National Bank of Serbia, but significantly smaller than IMF estimates, as shown in figure 20 below.

FIGURE 20  
ESTIMATED 2004 REMITTANCE FLOWS TO SERBIA

	Amount (US\$)
National Bank of Serbia* (net remittances and inflows to foreign exchange accounts)	415,000,000
University of Belgrade – Jovicic and Dragutinovic-Mitrovic*	2,491,000,000
IMF**	4,100,000,000

\*Source: *Migration, Remittance and External Balance: A Panel Model of the SEE Countries and a Case Study of Serbia*, by Dr. Milena Jovicic and Radmila Dragutinovic Mitrovic, PhD Candidate. Published at the Seventh Annual Global Development Network Conference, St. Petersburg, Russia, 22-23 January 2006.

\*\*Source: World Bank, *Global Economic Prospects 2006*, based on IMF BoP Yearbook figures.

In their report, Jovicic and Dragutinovic Mitrovic go on to say (2006: 22), “Remittances, as the most stable source of external finance, play a critical social insurance role in many developing countries”, including in Serbia. “Especially in countries afflicted by economic and political crisis, remittances often have an even more important role than private capital flows that depend on the economic cycles...Consequently, remittances can be viewed as a self-insurance mechanism for developing countries”, whereby countries export their labour force, which in turn generates remittance inflows and relieves pressure at home to create new jobs and economic activity. Moreover,

remittances move counter-cyclically relative to economic fluctuations, providing a smoothing effect on income flows and therefore on domestic consumption rates, helping countries and individual households survive economic shocks, monetary fluctuations or extended economic crises. Additionally, remittances can help improve a country's credit-worthiness and thereby enhance its access to international capital markets.<sup>19</sup> But while remittances clearly play an important role in the Serbian economy, Jovicic and Dragutinovic Mitrovic argue that this income is mostly consumed rather than invested, putting the longer-term economic development impacts of this financial flow in question.

Clearly, more must be done to leverage these remittance flows for enhanced development impacts, including strategies which help channel a larger percentage of these funds into investments and savings. But then again, remittances were never intended to be, and never will be a satisfactory substitute for a healthy domestic economy in which sufficient employment and income are generated. Neither are remittance flows a valid substitute for international development aid and/or foreign investment. Migration and the consequent sending of remittances is rather just a private solution to many people's need for better employment and income-earning opportunities, needs which remain largely unmet in their place of origin. Seen through this lens, migration and remittances can be seen then as simply the result of family decisions based on optimizing their potential given the opportunities and constraints they face, and the costs of remittances can be viewed as largely derived from moral hazard problems. Figure 21 provides a summarized list of several of these economic costs and benefits for remittance-receiving countries like Serbia.

FIGURE 21  
ECONOMIC BENEFITS AND COSTS OF REMITTANCES TO A RECEIVING COUNTRY

Potential Benefits	Potential Costs
Stable source of foreign exchange. Ease foreign exchange constraints. Help finance external deficits.	Ease pressure on governments to implement reforms and reduce external imbalances (moral hazard).
Potential source of savings and investment for capital formation and development.	Reduce savings of recipient families and thus have a negative impact on growth and development (moral hazard).
Facilitate investment in children's education and human capital formation.	Reduce labour effort of recipient families and thus have a negative impact on growth and development (moral hazard).
Raise the standard of living for recipients.	Migration leads to "brain drain" and has a negative impact on the economy that is not fully compensated by remittance transfers.
Reduce income equality.	Increase income equality.
Reduce poverty.	

Source: Roberts (2004) cited in *OSCE-IOM-ILO Handbook on Labour Migration*, 2006.

## **A Microeconomic Perspective – Remittance Flows from Switzerland to Serbian Households**

At the household level, IOM's household survey research shows that these financial flows have a large presence and significant impact, as the following data illustrate.

IOM's findings suggest that the vast majority (91%) of migrant-sending families in the surveyed areas with relatives in Switzerland receive remittances (see Figure 22). As remittances represent one of the most important transnational links between migrants and their families and communities of origin, this finding indicates that strong and continuous binational relationships still exist among this population. These cross-border links, however, seem to be limited to Serbian households and relatives living in Switzerland; only 2 per cent of migrant-sending households reported receiving remittances from relatives living in other countries, such as Austria, France, Germany or Italy (see Figure 23). The fact that most families in these two regions have transnational ties which link them to a single destination point is likely the result of unilateral social networks<sup>20</sup> first established in the 1970s and 80s during Switzerland's temporary labour migration regime, and further fuelled by family reunification in more recent years.

FIGURE 22  
SURVEYED HOUSEHOLDS RECEIVING MONEY (REMITTANCES)  
FROM RELATIVE(S) IN SWITZERLAND

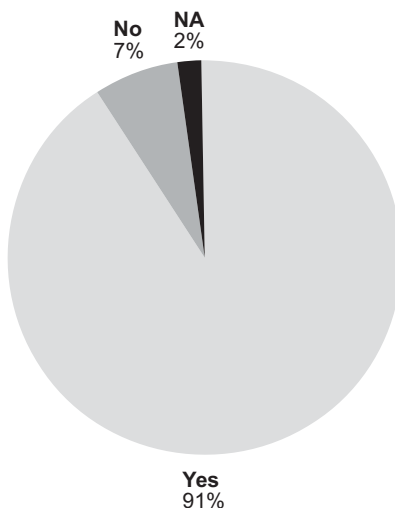
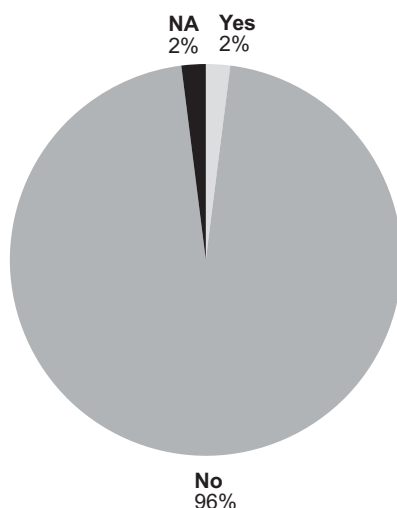


FIGURE 23  
SURVEYED HOUSEHOLDS RECEIVING REMITTANCES FROM RELATIVES  
LIVING IN OTHER COUNTRIES BESIDES SWITZERLAND



The size of remittance flows to individual migrant-sending households in a recent 12-month period range broadly, from as little as CHF 200 to as much as CHF 50,000 for large-scale investments such as housing construction. However, the majority of families interviewed receive between CHF 1,000 and 8,000 per year, with the average annual remittance income being CHF 4,800 (US\$ 3,820) per household, per year.<sup>21</sup>

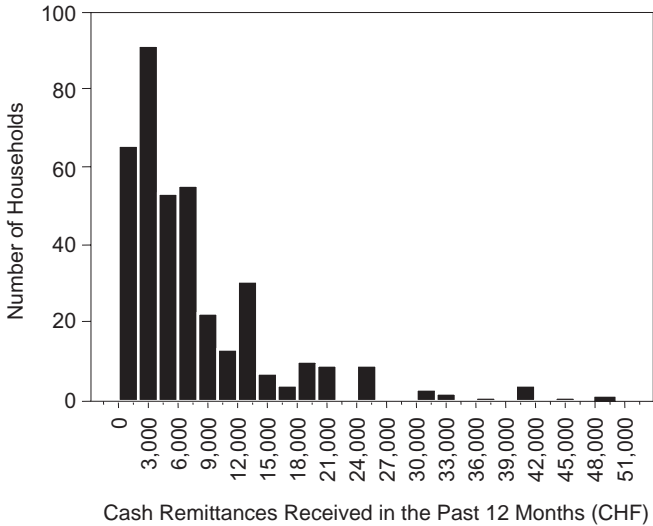
FIGURE 24  
ESTIMATED ANNUAL AND MONTHLY REMITTANCE INCOME

	Range in Swiss francs (CHF)	Estimated Average in Swiss francs (CHF)	Conversion in US\$ (Conversion rate: CHF 1 = US\$ 0.80)
Annual remittance inflow (using median calculations)	CHF 200 to 50,000	CHF 4,800 per year	US\$ 3,840 per year

These findings differ from the conclusions of a parallel study conducted recently by the Swiss Forum for Migration and Population Studies (SFM) in Switzerland, in which 600 telephone surveys were conducted with Serbian men and women living in Switzerland. SFM's study concluded that Serbian households in Switzerland send, on average, CHF 3,000 to Serbia every year (using median calculations), but only

CHF 1,000 per year to individual recipients. One likely explanation for this large difference in research findings is the sample. IOM’s sample was limited to migrant-sending households from two rural regions of Serbia – areas with significant rates of poverty and unemployment and large elderly populations with extended dependence on remittance income as a form of regular economic support. SFM’s sample included a broader cross-section of Serbian migrants, who likely originate from both rural and urban areas, and from families of more diverse socio-economic backgrounds and demographic make-up, whose need for and reliance on remittances as a form of monthly support may vary more widely.

FIGURE 25  
DISTRIBUTION OF ANNUAL REMITTANCE INFLOW AT THE HOUSEHOLD LEVEL



If this is the case, then the findings of both studies are important because IOM’s study highlights the extent to which many rural-based families with long-term ties to Switzerland are dependent on remittances as a regular and significant income source, particularly in elderly households. This observation is important because such a large part of the Serbian diaspora in Switzerland is believed to originate from rural areas. At the same time, SFM’s data suggest that this level of dependency is not generalizable to the entire population, suggesting that remittance patterns to other kinds of migrant-sending households may be very different, particularly to households in urban areas, in better social-economic positions, and/or with younger members who can generate earned income to complement remittance flows from Switzerland.

## Longevity of Remittance Flows

Another factor that can affect the size of remittance flows to migrant-sending households is the longevity of these flows. A long-standing hypothesis in remittance research is that a migrant's time abroad is an important factor in his or her propensity to remit, and normally over time, migrants tend to remit less and/or less often. This phenomenon is known as "remittance decay". If this were true for Serbs in Switzerland, then we would expect to see a decline in remittance flows over time. However, this does not seem to be the case. Instead, many households surveyed report that their remittance flows have continued for decades. In fact, as Figure 26 illustrates, 40 per cent of respondents claim to have been receiving remittances for more than 20 years, a period of time which corresponds exactly to the average departure date of people's relatives to Switzerland (mid-1980s). The small number of households that have been receiving remittances for shorter periods of time are generally of those whose relatives migrated more recently.

FIGURE 26  
PERIOD OF TIME RECEIVING REMITTANCES FROM SWITZERLAND

Time Period	Percentage of Households Reporting this Frequency (%)
20+ years	40
14-19 years	29
5-13 years	14
< 5 years	6
NA	11

One way of explaining the longevity of these remittance flows is to consider the fact that, as we will discuss later in this report, remittances sent to these regions of Serbia, in large part, support regular consumptive costs which require ongoing support, a fact which is particularly true among elderly recipients who have no plans to relocate to Switzerland and no additional income-earning opportunities.

A more theoretical explanation can also be applied. Based on the premise that remittances are an exchange between members of a social network made up of family members living in different places, then remittance flows can be said to rely on a migrant's desire or need to maintain his or her relationships with other people in this social network. Besides the important financial impacts that remittances produce, sending money home also helps migrants preserve their relationships with their relatives. Viewed like this, time abroad is likely not the key determining factor in whether or not remittances continue to flow. Rather, the continued need for maintaining social



relationships is the most important. As most Serbian migrants from the surveyed regions are sending money to parents, or in fewer cases to children, who may never join them in Switzerland, we can assume that most of these migrants will wish to maintain these relationships over the long term and therefore, remittances will also continue to flow over the long term.

This finding is an important fact to consider when designing new investment initiatives, which may involve the Serbian diaspora from the surveyed regions, because people who continue to have significant and ongoing remittance commitments may not be in a position to make other sorts of significant investments. At the same time, migrants who clearly demonstrate a continued link to their social network in Serbia through the regular sending of remittances are also likely to be interested in new forms of investment which can provide additional support to their relatives and help relieve, in part, their own remittance burden.

### **In-kind Transfers**

The final point to be made in this section is the significant presence of in-kind remittances flowing through this corridor. Besides cash remittances, the majority (71%) of households surveyed also report receiving transfers of goods from Switzerland. Household equipment such as washing machines or refrigerators is the most common. However, a few families also report receiving consumption-type goods such as clothing, mobile phones and televisions, as well as machinery, mainly for agricultural activities.

FIGURE 27  
HOUSEHOLDS RECEIVING GOODS (IN-KIND) FROM RELATIVES IN SWITZERLAND

	<b>Per cent</b>
Yes	71
No	21
NA	8

FIGURE 28  
TYPE OF GOODS RECEIVED

	<b>Per cent</b>
Household equipment (washing machine, refrigerator, freezer, etc.)	55
Consumption goods (clothing, mobile phone, TV, etc.)	11
Production goods (machines, etc.)	2

## V. REMITTANCE TRANSFER MECHANISMS, DETERMINANTS AND FREQUENCY PATTERNS

### Transfer Mechanisms and Determinants

Other important factors in this remittance corridor include the mechanisms by which remittances are transferred, their determinants and the frequency by which remittances are received. Findings show that the vast majority (74%) of remittances sent from Switzerland to the surveyed areas of Serbia are sent through informal means. Money is most commonly hand-carried by migrants, friends or acquaintances living in Switzerland during visits to Serbia as Figures 29 and 30 illustrate. The secondary informal transfer mechanism used is sending money with bus drivers travelling back and forth between Switzerland and Serbia.

FIGURE 29  
PRIMARY METHOD BY WHICH SERBIAN HOUSEHOLDS RECEIVE REMITTANCES

	Per cent
Hand-carried	74
Bank transfer	11
Bus driver	5
Post or travel agency	1
NA	9

Note: In 1% of households reporting hand-carrying as their transfer method, the recipient goes to Switzerland to pick up the money.

FIGURE 30  
SECONDARY METHOD BY WHICH SERBIAN HOUSEHOLDS RECEIVE REMITTANCES

	Per cent
Bus driver	16
Hand-carried	4
Post or bank	1
NA	79

Note: Most respondents don't report a secondary method.

There is a long tradition of informal transfers in this corridor, illustrated by the fact that 83 per cent of respondents report that they have always received their money this way. Formal transfers via a bank, the postal system or by a private money company are used by only a tiny fraction of the population. Recent estimates by the World Bank, presented in Figure 31, help place this figure in context, highlighting the fact that very few remittance corridors report such high rates of informal transfers.<sup>22</sup>

FIGURE 31  
CHOICE OF REMITTANCE CHANNEL IN SELECTED COUNTRIES  
(% OF REMITTANCES)

	Formal	Informal
Dominican Republic	96	4
Guatemala	95	5
El Salvador	85	15
Armenia	62	38
Moldova	53	47
Bangladesh	46	54
Uganda	20	80

Source: World Bank, *Global Economic Prospects*, 2006.

Figure 32 illustrates how the respondents' choice of informal transfer methods between Switzerland and Serbia is mostly a matter of trust. Factors such as cost and convenience are of relatively equal importance, but are secondary to trust. The speed of transfers is a less-important determinant in how people choose to send their money home.

FIGURE 32  
DETERMINANTS FOR CHOSEN TRANSFER METHOD

	Per cent
Reliable/Trust/Secure	46%
Convenient	12%
It's the only choice	11%
Cost	10%
Fast	6%

FIGURE 33  
TIME FOR REMITTANCES TO ARRIVE FROM SWITZERLAND

	Per cent
2-3 days	37
1 day	31
< 24 hours	12
4-7 days	7

FIGURE 34  
FEE COMPARISON FOR A TRANSFER OF CHF 500 TO SERBIA

	Transfer Fee
Hand-carried	Free
Bus driver	CHF 15 (3%)
Bank	Not available
Western Union	CHF 50

These findings are seconded by a parallel study conducted by Lenora Suki, a consultant to the EBRD who recently surveyed Serbia's banking community and reports, (Suki, 2006: 1-2)

*Due to financial crisis and the economic blockade of the country during the war, Serbs became accustomed to sending their money via informal means. Geographic proximity has helped maintain this practice over the years, although Serbia's financial sector has developed rapidly and is primarily in the hands of foreigners. Nonetheless, lingering low confidence in the financial system in Serbia discourages Serbs abroad from sending their money through formal channels.*

### Informal transfer methods

As previously mentioned, most migrants choose informal transfers methods, primarily hand-carrying their money home because they feel these methods are the most reliable. Those who don't carry their money home or send it with a friend often transfer remittances, both cash and in-kind goods, via bus drivers travelling regularly back and forth between Switzerland and Serbia. Private bus companies have been carrying passengers' money and goods back and forth between Switzerland and Serbia

since workers first started coming to Switzerland in large numbers from the former Yugoslavia on temporary contracts. For a long time, these buses were the primary mode of transportation linking Serbs with Switzerland, and during the war in the former Yugoslavia, represented a critical lifeline between the diaspora and their relatives back home. As the remittance practices among this population are relational and trust-based, it is not surprising that over the years, many migrants have relied on these bus drivers, whom they often know personally, to deliver money and in some cases goods to their relatives. Drivers charge a fee for this service, sometimes considered a “tip”, which is either a percentage of the cash being delivered or a fixed amount for the delivery of goods.

Remittance transfers via bus drivers are considered highly reliable, reasonable in cost and convenient. Even the speed of the transaction is considered acceptable for many people, except in the case of emergency. Transfers via bus drivers arrive in the recipients’ hands approximately one day after they are handed over to the bus driver in Switzerland. This time frame, although not ideal, is much faster than bank transfers or waiting to hand carry money on infrequent trips home.

## **Formal transfer methods**

Banks are the primary formal transfer method; one preferred by 11 per cent of the households surveyed, although this is a very low number considering that nearly half of migrant-receiving households have a bank account and could fairly easily receive money in this way. Banks are not more commonly used because many people do not consider them to be a reliable transfer option based on attitudes formed by past experiences of corruption, failed pyramid banking schemes and the freezing of assets.

Relatively high costs and time delays are other reasons why more people don’t use banks to transfer or receive remittances. Additionally, as Carolyn Jung of the World Bank points out, Serbian banks often require recipients to withdraw their remittance funds in local currency – Serbian dinars – rather than in foreign currency, such as Swiss francs or euros, currencies which are more stable against inflation, and therefore preferred. Furthermore, withdrawals from banks sometimes have size limits, which may further deter the recipients’ use of a bank.

It is possible that better information and outreach by banks could change people’s behaviour, but only if trust in these institutions can be established, and only if banks possess infrastructure and provide appropriate services to clients living in rural areas where a large number of migrant-sending families with links to Switzerland reside. This hypothesis is shared by the World Bank who state in their 2006 report on mi-

gration and remittances: “Trust in the financial system is an important prerequisite for a growing bank presence in the (formal) remittance market.”<sup>23</sup> Efforts to bring the nearly 50 per cent of remittance-receiving households who don’t hold a bank account into the formal banking system are also needed to facilitate more formal, bank-to-bank transfers.

Other forms of formal remittance transfers, such as those sent through private money transfer companies (MTOs), are almost absent in this corridor. The comparatively high cost of sending money from Switzerland to Serbia via Western Union, the only licensed MTO operating in this corridor, is likely the main reason that people very rarely choose this transfer method. High costs are a consequence of lack of competition in this market. If prices were more competitive with bank or bus driver fees, MTOs could likely play a bigger role in this remittance corridor especially given that transfers via MTOs are much faster than other means, a hypothesis which is based on the fact that Western Union is a more popular service provider in a very similar and neighbouring corridor, Germany to Serbia – as the recent World Bank study on this remittance corridor illustrates.<sup>24</sup>

FIGURE 35  
ESTIMATED FLOW OF WORKERS’ REMITTANCES  
FROM GERMANY TO SERBIA IN 2004

Channel	Who collects remittance transfers in Germany?	Who makes the payments in Serbia?	Total Remittance Flows (US\$)	As Per cent of Total Remittance Flows (%)
Formal	Money transfer companies and their agents	Banks (as agents of MTOs)	\$48 million	10
	Banks (mostly pension payments)	Banks	\$190 million	40
Informal	Migrants, other human couriers and bus drivers	Migrants, other human couriers and bus drivers	\$238 million	50
<b>Total</b>			<b>\$476 million</b>	<b>100</b>

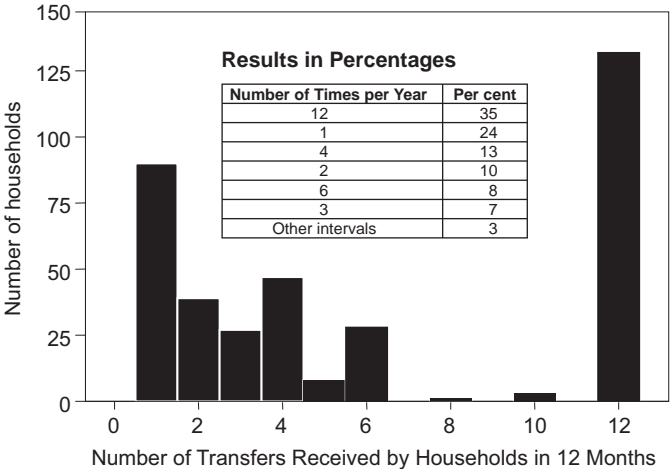
Source: De Luna Martinez, Jose, Isaku Endo and Corrado Barberis, *The Germany-Serbia Remittance Corridor: Challenges of Establishing a Formal Money Transfer System*, The World Bank, 2006.

## Frequency Patterns

In terms of frequency, IOM’s results show that slightly more than one-third of the Serbian households surveyed receive their remittances once a month. Another one-

third receives money and/or goods just once or twice per year. This is particularly the case for households receiving large transfers which coincide with annual visits home by their migrant relatives. The remainder of households receive money and/or goods at other frequency intervals. Because of the disparity in the data, it is not possible to report an accurate average, but Figure 36 helps illustrate the probability that a household will receive remittances at one frequency interval or another. It's important to note that households receiving very large annual transfers of CHF 10,000 or more usually receive this money in one lump sum, often the migrant relative living in Switzerland comes to visit.<sup>25</sup>

FIGURE 36  
FREQUENCY OF MIGRANT-SENDING HOUSEHOLDS RECEIVING REMITTANCES  
FROM SWITZERLAND



Surprisingly, IOM's research shows that the choice of migrants to use informal vs. formal transfer mechanisms are not always related to the frequency at which they are sending money or goods home. Eight out of ten households that receive monthly remittances, receive these remittances through hand-carried methods or via a bus driver. In comparison, a very similar proportion of households receiving remittances only once per year receive their remittances via informal means. This finding reinforces the overwhelming importance that migrant remittances and their recipient families place on trust and reliability when choosing their transfer means. It also points to an unfilled market niche for formal transfer services targeting households sending remittances regularly, one that formal transfer agents could fill by offering clients higher levels of reliability while also addressing cost and convenience factors.

## VI. PATTERNS OF REMITTANCE USE, INVESTMENT AND DETERMINANTS

### Remittance Use and Investment

IOM's research also uncovered some important findings with regards to the patterns of use and investment of remittances by Serbian households receiving money from Switzerland. These findings, detailed in Figure 37, are divided into two categories: (1) Consumptive Uses and Social Expenditures, and (2) Economic Activities and Asset Creation.

FIGURE 37  
HOUSEHOLD USE OF REMITTANCES FROM SWITZERLAND  
(NUMBERS REPRESENT % OF HOUSEHOLDS REPORTING PARTIAL OR FULL USE OF  
REMITTANCES FOR THIS PURPOSE)

<b>Consumptive Uses and Social Expenditures</b>	<b>Per cent</b>	<b>Economic Activities and Asset Creation</b>	<b>Per cent</b>
Utilities (water, electricity, gas)	64	Buy/build/improve house/apartment	51
Phone	51	Expand agricultural production	27
Petrol/Transport	48	Buy land	9
Food	36	Buy/grow/start a business	8
Medicine/Health care	34	Buy animals/livestock	8
Household appliances/Furniture	34	Higher education	2
Clothing	20	Savings	1
Children's education	11	Pay off business or home loan	<1
Leisure	6		
Housing costs (rent, minor repairs)	4		
Help/loan money to others	1		
Pay off debt/loan	<1		



FIGURE 38  
TOP PRIORITIES – HOUSEHOLD USE OF REMITTANCES FROM SWITZERLAND

<b>Household Use of Remittances</b>	
1.	Improve/build house/flat, including purchase of furniture and household equipment
2.	Expand agricultural production (including purchase of land, animals, machinery, equipment)
3.	Medical care and medicine
4.	Food
5.	Fuel

Remittances sent from Switzerland to Serbian households are mainly used to support recurrent living costs and basic needs, such as: utilities (water, electricity and gas), phone service, petrol for cars and farm machinery, food, medicine and health care, household appliances and furniture. Only a small number of households (11%) use remittances to pay for basic education, reflecting the older composition of many recipient households. Remittances in the surveyed areas are very rarely used to pay for non-essentials, loans to others or debt repayment.

Some households also use part of their remittances for investment purposes but these investments are generally limited to housing or expansion of agricultural activities. Approximately half of surveyed households have used remittances to buy, build or improve their house or apartment, and approximately a quarter of households have used remittances to expand agricultural production, reflecting the agricultural nature of the surveyed region. Less than 10 per cent of households report investing remittances in a business, the purchase of land or the acquisition of animals or livestock. Only a small fraction of households have invested remittances in higher education (2%) or to enhance savings (1%).

While investment in housing is common across a range of households, there is a positive correlation between housing investment and large remittance transfers. Large transfers are less commonly invested in new agricultural facilities or equipment, in starting a business, or for social expenditures such as family weddings. A few people also report using large transfers for daily needs, which may suggest that a small number of migrant-sending households have likely achieved a high standard of living in comparison to their neighbours requiring a higher level of remittance support.

FIGURE 39  
USE OF BIG TRANSFERS (CHF 10,000 TO CHF 50,000)

Use	Cases Reported
Build, buy or improve house or flat	11
Buy or improve an agricultural facility or buy agricultural equipment	6
Daily needs	6
Start a business	3
Pay for a relative's wedding	2
Other	5
<b>Total</b>	<b>33</b>

One final point concerns the specific area of business (SME) investment. Respondents report directing remittances of large and small quantities to support the start up or expansion of the following activities:

FIGURE 40  
TYPE OF REMITTANCE INVESTMENT IN SMALL AND MEDIUM BUSINESSES

Investment
Open metal factory
Expand and improve car repair company
Start radio station
Improve existing radio station
Improve blacksmith workshop
Open video club
Expand production of concrete parts and fixtures
Open vehicle transport (carrying) company
Expand small factory producing metal parts
Open painting company
Expand chicken farm
Open mini-mart

## Determinants

### Socio-Demographics

Socio-economic factors are important determinants in how people use and/or invest remittances. Examples of how socio-economic factors determine spending on housing, small business investment, education, medical care and savings follow:

- HOUSING:** Approximately half of remittance recipients of all ages, gender, education and income categories invest remittances in housing, although men and women in their 30s, 40s and 50s have a slightly higher tendency towards housing investment than younger or older recipients. Similarly, people with average educational levels (primary and secondary) are more likely to invest remittances in housing than illiterate or highly educated households. Household income, however, makes the biggest difference as households with larger than average monthly incomes (CHF 1,000+) are approximately 50 per cent more likely than households with lower incomes to invest remittances in housing.
- BUSINESSES:** Households who are most likely to invest part of their remittances in a small or medium-sized businesses, are most often headed by younger men with a post-secondary education and an above average monthly household income.
- SAVINGS:** Almost no one reports using remittance income to enhance savings. But among the very small number of households who do save, income and education seem to make some difference in this choice. Households with above average income levels and those whose heads have some formal education are more likely than other households to use remittances to enhance savings.
- EDUCATION:** Among the few households who invest remittances in higher education, the largest number are households headed by women, middle-aged households, and households headed by someone with a post-secondary education.

**MEDICAL CARE:** Similar to education, households that spend part of their remittance income on medical care and/or medicine are more likely to be headed by a woman than a man. But it is age that matters most in this category. Elderly households, who are more likely to have little or no formal education, are by far more likely to be spending their remittances on medical care and medicine than younger households.

These socio-demographic findings in relationship to remittance use can be summarized as follows:

FIGURE 41  
SOCIO-DEMOGRAPHIC FACTORS DETERMINING USE OF REMITTANCES

Key Socio-Demographic Characteristics of Remittance Recipients										
	Young	Middle aged	Senior	No education	Primary or Secondary Education	Post-Secondary Education	Male	Female	< Average income	> Average income
Housing		X			X					X
SME	X					X	X			X
Savings		X			X					X
Education		X						X		
Health			X	X				X		

Given the demographic makeup of the recipient group in IOM's survey areas – primarily older households with limited income – it is not surprising that investment levels are generally low and are largely limited to housing as housing is not a high-risk investment and because home ownership is important for economic well-being in older age, among other reasons. The findings however also offer important clues for the design of future investment programmes and/or new financial services which aim to meet the needs and preferences of diverse socio-demographic groups.

These include:

1. Younger, less risk-averse households are the most active/interested investors in SMEs;
2. Female-headed households spend more on education and health;
3. Households with higher than average incomes are more active investors and savers;
4. Older households spend particularly high amounts of their remittances on health;
5. Investment in housing is done large in the middle years (30s, 40s and 50s).

### **Economic structure and investment environment in recipient areas**

Apart from socio-economic factors, another important determinant for how remittances are spent and invested is the economic structure and investment environment of recipient communities and the regions. Remittances act as a kind of foreign savings which interact with and depend directly on the opportunities available to investors in the local environment. In this case, the environment in which Serbian households are receiving remittances offers people very few viable opportunities for investment beyond housing, land and agricultural activities. For this reason, remittances not used for consumptive and social expenditures commonly end up in these three investment categories, and helps explain why investment in other areas, such as small business development, is pursued by less than 10 per cent of migrant-sending households.

FIGURE 42  
PLANS FOR FUTURE INVESTMENTS

<b>Households who report plans/hopes to make future investments with remittance income</b>	<b>Per cent</b>
No	63
Yes	27

FIGURE 43  
INVESTMENT PRIORITIES

<b>Among those who plan for future investments, priorities include:</b>	
1.	Expand agricultural production
2.	Improve house
3.	Buy land

Another factor determining how remittances are spent is information and historical experience. As the surveyed households come from rural areas with limited access to financial institutions and services, and because people commonly have low levels of formal education, many remittance recipients are likely to have little exposure to, knowledge of and/or ease with diverse and/or sophisticated forms of investment such as SME investments. As a result, many people simply repeat spending and investment patterns of earlier generations and of their neighbours which are limited to housing, land and agricultural production.

People's attitudes toward risk also make a difference. This is particularly relevant in the context of investments in SMEs. In any population, the majority of people are not inclined towards starting their own business, which is a risky and demanding endeavour. The fact that 8 per cent of surveyed households report directing remittance income to SME development is therefore not surprising, particularly because a relatively small number of recipient households are people in a condition to take new risks – specifically, younger, educated people with a decent level of income and/or capital. Older households with less social and economic capital will naturally prefer less-risky investments in things like housing and/or land.

In order to stimulate diversified, growing investment of remittances in non-traditional sectors, such as SMEs, education and support must be provided to recipient households and their relatives living abroad to enable and encourage them to take advantage of these alternative investment opportunities, targeting people with sufficient economic and social capital, and potentially greater. Furthermore, outreach and support should target both remittance senders and receivers, as findings show that in most cases, both the remittance sender and receiver share the responsibility of deciding how remittances are spent and invested.

### **Banking and financial services available to recipients**

A fourth determinant of how remittances are spent and invested relates to recipients' access, attitudes and practices vis-a-vis local banking services. Nearly half of the surveyed households hold a bank account, although less than 10 per cent of them use bank services for anything more than managing cash flow. Very few households use their bank to receive remittance transfers, to save money or to take loans. Most people claim that they either have insufficient funds to justify a bank account, don't need banking services, and/or don't trust banks as a reliable forum for savings or investment. Knowledge of and access to local banking services however are not widely mentioned as barriers to wider banking use. The combined fact that banks are used very infrequently to transfer remittances, and the fact that people feel they have no need for or lack trust in banks as mechanisms for investment, helps explain why sav-

ings rates among this population are so low and why more remittance income is not leveraged for credit towards larger or more diverse forms of investments.

FIGURE 44  
PER CENT OF HOUSEHOLDS WITH BANK ACCOUNT

	Per cent
Yes	48
No	44
NA	8

FIGURE 45  
USE OF BANK ACCOUNT

	Per cent
Manage cash flow	43
Send/receive transfers	9
Save	3
Take/pay loans/debts	1

FIGURE 46  
REASONS FOR NOT HAVING A BANK ACCOUNT

Reason
1. Don't have money
2. Don't trust banks
3. Don't need a bank account
4. Don't know how
5. No bank close by

Similarly, research in this corridor illustrates a positive correlation between being banked and patterns of productive use and investment of remittance income, as findings show that among the few households investing remittances in higher education, SMEs, and/or to enhance savings, nearly all of them also have a bank account, as Figure 47 shows.

FIGURE 47  
RELATIONSHIP BETWEEN HOW REMITTANCE RECEIVERS USE  
REMITTANCES AND THEIR BANKING STATUS

<b>Have Bank Account</b>	<b>Housing</b>	<b>SME (business)</b>	<b>Savings</b>	<b>Education</b>	<b>Medical Care/Medicine</b>
Yes	101 cases	23 cases	4 cases	5 cases	51 cases
No	78 cases	4 cases	1 case	1 case	68 cases

Clearly, there is huge room for growth in the use and expansion of banking services, or services by other kinds of community-based financial institutions, targeting migrant-sending households receiving remittances. Having more migrant-sending households formally aligned with a bank or other kind of financial institution would both contribute to increased remittances flows via formal channels and would also likely help increase the rate at which remittances are invested in “productive activities” and saved. However, banks/financial institutions must find ways to build trust among potential clients who are either not currently part of the formal financial system, or who limit their banking practices to cash flow activities. Financial institutions must also be more strategic about offering financial services (transfer services, credit, savings rates, etc.) which meet the particular needs and preferences of different socio-demographic groups within the remittance-receiving population.



## VII. IMPACT OF REMITTANCES ON RECIPIENT HOUSEHOLDS

This final section discusses the impact of remittance flows on households in the surveyed areas. Findings address impacts on four development priority areas defined by the United Nations Millennium Goals – poverty (and financial assets), housing, health and education.

### Impact of Remittances on Poverty and Financial Assets

Remittances constitute, on average, 40 per cent of total household income in households in the surveyed region. Therefore, remittances are clearly a critical part of basic financial well-being in large numbers of migrant-sending households and are likely keeping some of the most vulnerable households out of poverty. In many cases, remittances act as a substitute for all or a portion of the household's earned income, and therefore, may not be increasing overall household income, but rather changing its source. In households where retirement and/or unemployment have not interrupted earned household income, remittances act as a supplementary source of financial support, with the effect of increasing total household income. Furthermore, because remittances from Switzerland are commonly sent in foreign currency, Swiss francs or in euros, they can also help to counteract financial fluctuations in local currency, although they don't provide the same kind of protection against rapid increases in prices for basic goods.

FIGURE 48  
OWNERSHIP/ACQUISITION OF FINANCIAL ASSETS USING REMITTANCES

<b>Asset</b>	<b>% Who Own</b>	<b>Cases</b>	<b>% of Owners Who Used Remittance to Purchase</b>	<b>Cases</b>
Home	97%	339	70%	237
Land	85%	293	13%	39
Vehicle	80%	276	52%	143
Animals	64%	220	18%	39
Savings	32%	110	41%	45
Business	13%	44	52%	23

Beyond increasing or stabilizing basic income, remittances also contribute to the ownership and/or acquisition of financial assets in many migrant-sending households,

specifically housing, land, vehicles, animals, savings accounts and private businesses. However, findings show that remittances have only contributed to the acquisition of these financial assets in a few cases, most commonly with housing and vehicles. Large numbers of people report also owning land and animals but, generally speaking, remittances have not been a major factor in the acquisition of these assets, as Figure 48 illustrates. As presented previously, only a few families have used remittances to enhance their savings. However, among these households, remittances have contributed to the establishment or enlargement of this financial asset in nearly half of the cases. Rates of business ownership is also small, and includes some people's agricultural activities, but again, remittances have made a difference in these few cases – with more than half of households reporting that remittances were used as a source of investment.

## Impact of Remittances on Housing

IOM's household survey also measured the impact of remittances on the condition of housing owned by migrant-sending families. Findings show a close correlation between the overall condition of people's housing and the investment of remittances in their homes. In 263 cases where remittances were used to expand or upgrade the migrant family's house, the condition of the housing is rated as new, great or good, as indicated in Figure 49. Using remittances to upgrade and/or improve housing is more common in the largest-sized households, although it is frequent in all categories.

FIGURE 49  
IMPACT OF REMITTANCES ON THE PHYSICAL CONDITION  
OF SURVEYED HOUSEHOLDS

		Used Remittances to Upgrade?				Total
		NA	No	Yes		
Overall condition of the house	Great	3	7	102 (= 91% of households in “great” condition)		112
	Good	2	28	144 (= 83% of households in “good” condition)		174
	New	0	3	17 (= 85% of households in “new” condition)		20
	Okay	1	1	1		3
	Poor	0	8	11		19
	Bad	1	3	1		5
	NA	1	2	7		10
Total		8	52	283		343

It is important to mention the large extent to which remittances have transformed housing in Petrovac na Mlavi and Cuprija. In most of the surveyed villages, enormous remittance-financed houses line the streets. Some of these homes feature Swiss architectural design and are made from building materials sent from Switzerland. In some cases, these homes have ten rooms or more, many of which sit empty and unused. Other examples of homes with luxury features can also be found such as jacuzzi bathtubs, but without running water hook-ups.

In many cases, migrants living in Switzerland have sent remittances to construct these large homes to provide more comfort and security for their the elderly parents, who in some cases, prefer to continue living in an older home on the same property or restrict their movement to one or two rooms, leaving the rest of the home unoccupied. In other cases, these homes have been built by migrants with the intention of using them during visitation periods or for retirement, in which case, they often sit empty for all or most of the year. In all cases, the difference in size and quality of houses with and without remittance investments is startling, as Figures 50 and 51 illustrate.

FIGURE 50  
A HOUSE IN THE SURVEYED REGION WITHOUT REMITTANCE INVESTMENT



FIGURE 51  
A HOUSE IN THE SURVEYED REGION BUILT WITH REMITTANCES



The size and quality of a family's home is a visible, public sign of their economic well-being. Owning a large, good-quality home is an important status symbol which families use to mark their privileged position in the community and which migrants use to demonstrate that their migration experience has been successful. In addition to improving a family's socio-economic status, homes of this quality help ensure greater physical safety and also improve people's economic security. A family that owns their home is less threatened by unstable income flows, unreliable pension income and a general lack of social support from the state. Additionally, as presented earlier, there are few other investment opportunities in these rural regions, so ultimately housing absorbs a large portion of remittance flows as a form of foreign savings.

For all these reasons it is not surprising that the vast majority of household receiving remittances report some investment of their resources in housing. Nevertheless, these investments are, in many respects, less than optimal for two reasons. Firstly, many of these homes sit empty all or most of the year, giving them little practical

value. Secondly, there is no market to rent or sell most of these houses, both because the cost of resale is out of reach of most other local families and because continued de-population of these areas means that there is no demand. Additionally, considering the nearly non-existent impact that this housing “boom” has had on the stimulation of the broader local economy, the development impact of this form of investment is seriously called into question, highlighting the need for more diverse investment opportunities, at least in the rural areas such as the ones surveyed for this study. Investment of remittances in urban areas may be a more effective engine for development and a wiser economic investment for families, assuming the resale and rental market for housing in urban areas is more active.

### **Impact of Remittances on Health and Education**

Remittances have had a less significant, although still important, impact on the health status of migrant-sending households. Migrant-sending households use remittances from Switzerland to help pay for medical costs, most commonly medicines. Without remittances, money for these medical costs would come from personal savings, borrowing money from others, working additional time or selling off assets. Remittances therefore serve as a form of supplementary financing which is protecting the erosion of basic household assets. At the same time, remittance income does not seem to be significantly improving people’s basic access to medical services (or medicines). This is likely due to the fact that access to health care services is not reported to be a problem in the surveyed regions.

In terms of the impact of remittances on education, only a small number of migrant-sending families (on average one in ten) invest remittances in education costs for children or grandchildren. Those who choose to spend remittances on education use the money for basic costs such as books, clothes/uniforms, transport, school fees and/or accommodation costs in the case that students are sent to Belgrade to study. The small number of families investing remittances in education is partly explained by the fact that only 19 per cent of surveyed households have one or more school-aged children (age 6-18) in the home.

### **Impact of Collective Donations from Migrant Associations in Switzerland**

One final point regarding the impact of remittances on migrant-sending communities relates to infrequent collective donations from migration associations in Switzerland with links to the geographic regions surveyed for this report. According to village leaders in the municipality of Petrovac na Mlavi, 100,000 euros has been

sent by the diaspora from the village of Ranovac for infrastructure improvements such as new roads, electrical connections and a new water system. Additionally, the “Club Ranovac” in St. Gallen with links to this region raised money and financed the building of a school for special needs children, which now serves as an important educational centre for all of central Serbia (see Figure 52).

However, projects like this school are rare. In fact, representatives of the local municipal government complain of the lack of interest by the diaspora in their communities of origin, saying that most people are only interested in investments which improve their individual standard of living, but not things which help raise the standard of living for the broader community. This disconnection between the local municipalities and the diaspora in Switzerland is illustrated further by the fact that there are no formal mechanisms for communication or collaboration between them, even after three decades of continued emigration and transnational living.

FIGURE 52

A SCHOOL FOR CHILDREN WITH SPECIAL NEEDS IN RANOVAC  
(PETROVAC NA MLAVI) BUILT WITH COLLECTIVE DONATIONS  
FROM A MIGRANT ASSOCIATION IN ST. GALLEN, SWITZERLAND



## **Final Comment:**

### **The Particularities of Migrant-sending Households in Belgrade**

The socio-economic profile of migrant-sending households from non-surveyed parts of Serbia, particularly households in urban areas such as Belgrade, may be significantly different in composition, and may exhibit different patterns of migration and remittance flows important for this study and the corresponding recommendations. Focus group research involving representatives of 16 migrant-sending families in Belgrade hint at these differences and findings from a parallel study of Serbian migrants in Switzerland carried out by the SFM provide further support. Nonetheless, additional research among urban-based migrant-sending families in Belgrade and other Serbian cities would help confirm these hypotheses.

Research points to the fact that migration to Switzerland from Belgrade began later than migration from rural areas of the country, facilitated almost exclusively by social networks, both to Switzerland's German speaking cantons, but also to the French and Italian speaking parts of the country. Although it has been mainly an economic migration, as is the case with the surveyed rural populations, migrants from Belgrade are more likely to be higher skilled than their rural counterparts. This is related to the finding that in Switzerland, a large part of this diaspora is engaged in skilled employment – working as professionals, health care workers, small business owners, etc. Similarly, the SFM's study reports that 71 per cent of Serbs in Switzerland have a secondary or tertiary education – a much higher number than that reported by households in IOM's surveyed rural regions.

Similar to Serbian migrants from the surveyed rural areas, urban migrants living in Switzerland also maintain transnational ties with their relatives in Serbia, but may visit less frequently. They may also remit less money and/or send money less frequently than their rural counterparts. If this hypothesis is true, it could help explain why SFM's report estimates a much smaller average remittance transfer size and reports a higher quantity of migrants remitting less frequently than IOM's surveyed rural population.

Additionally, migrants from urban origins may more commonly send small remittances intended as gifts for the purchase of leisure goods, or larger amounts in the case of special needs or an emergency. This is because remittances to urban areas likely act more commonly as a financial safety net rather than as a regular income stream, for reasons presented earlier – because recipient households are likely to be better off economically and are more likely to have younger members at home who can generate earned income to complement remittance flows. This hypothesis is supported by the SFM's reported finding among non-remitting migrants, the largest number of whom



claim not to send remittances because no one in the family in Serbia needs money. Remittances to urban areas are sent to a broader recipient group than the rural case – to parents and children, but also to siblings and other younger relatives. Again, the SFM's findings support this hypothesis.

Like migrants from rural areas, when urban migrants do send remittances, they most commonly carry it by hand during visits home. In addition to cash remittances, transfers of goods in the form of cars, home appliances, electronics, clothing and furniture, among others, are also common. As in rural areas, urban migrants also sometimes send large sums of money to relatives in Belgrade to help with the purchase of apartments and/or in fewer cases, the start up of a transnational enterprise. However, investment in housing may be less common overall in urban areas either because migrants prefer to purchase housing and property in Switzerland, or because housing investment opportunities in Belgrade are limited and/or unaffordable. The fact that transfers to urban areas, as to rural areas, are made primarily through informal means, suggests that financial services may be undeveloped and underutilized for the urban diaspora as for their rural counterparts, most likely for similar reasons.

These findings point to the fact that transnational investment/development strategies pursued in collaboration with the diaspora should take into account some important distinctions among migrant households and their relatives abroad. The fact that urban-based households receiving remittances are often younger and those sending money to them are somewhat more educated and professionally employed, suggest that there may be more capacity among this group to engage in more sophisticated forms of investment, such as SMEs, or to save larger amounts. Smaller remittance flows to urban households also suggests less of a financial burden on their migrant relatives in Switzerland, which may make them more available for other kinds of transnational engagements.



## CONCLUSION

In this final section of the report, we summarize the main findings of this research initiative and then present, a list of potential strategies drawn from the research findings, which can help to enhance remittance flows from Switzerland and their economic development impact in Serbia.

### Summary of Main Findings

The Serbian diaspora in Switzerland is one of the largest foreign populations in the country, totalling more than 200,000 people in 2006. Migration of Serbians to Switzerland has been mainly a labour migration spanning several decades – 1970s, 80s and early 90s – facilitated by a short-term guest worker programme which Switzerland had in place during those years. A large number of Serbian labour migrants eventually established permanent residency in Switzerland and have since facilitated the migration of thousands of family members to Switzerland for reunification purposes. Although many migrants envision their long-term future in Switzerland, most people maintain transnational ties to family and friends still living in Serbia, links which have, in many cases, facilitated the ongoing flow of remittances and material support over the years.

Recognizing the important impact that these remittance flows can have on poverty alleviation and economic development in origin countries, the Swiss Secretariat for Economic Affairs of the Government of Switzerland (SECO) commissioned a three-part investigation of migration and remittances linking Switzerland and Serbia, which was carried out by three institutions: EBRD, SFM and IOM. IOM's commissioned work focused specifically on measuring the flows, transfer patterns, use and impact of remittances from Switzerland on migrant-sending households in Serbia. 343 household surveys were conducted to gather data in two rural, migrant-sending regions of Serbia with links to Switzerland, complemented by focus groups, key informant interviews and secondary literature.

In the surveyed areas, household heads receiving remittances from Switzerland are most commonly older, agricultural workers with low levels of formal education and a household monthly income of a little less than 1,000 Swiss francs (CHF), 40 per cent of which comes from remittances. These remittances are most commonly sent by their adult children, most of whom migrated to Switzerland a decade or more ago, leaving agricultural work behind to take up low skilled and unskilled jobs in the Swiss-German speaking cantons.

Remittances sent by this Serbian diaspora in Switzerland are part of a larger flow of remittances to Serbia which now total several billion dollars (US), placing Serbia in the top 11 remittances-receiving countries in the world. At the microeconomic level, the extent of remittance flows is demonstrated by the fact that more than 90 per cent of Serbian households surveyed for this study receive remittances which total, on average, CHF 4,800 per year. Some households also receive remittances in the form of goods.

Findings show that remittances have been flowing to households in the surveyed regions for a very long time – in many cases, for more than 20 years. This is largely because this money supports ongoing, consumptive costs for ageing recipients who have no plans to relocate to Switzerland and no additional income earning opportunities. Approximately one-third of surveyed households receive remittances monthly and another one-third receive remittances once or twice per year. The rest of survey households receive money at different intervals.

In the majority of cases, remittances are sent informally, hand-carried by migrants, friends or acquaintances during visits to Serbia or sent via a vast network of bus drivers who travel back and forth between Serbia and Switzerland almost daily. People's choice of informal channels is primarily a question of trust. Secondary determinants are cost and convenience. Formal transfers in this corridor are limited mainly to remittances sent through banks, although this practice is limited to about 10 per cent of the surveyed population due to a general lack of trust in financial institutions, as well as lack of information, access and higher costs. Transfers through private money transfer organizations such as Western Union are practically non-existent in this corridor, most likely due to high costs.

Remittances are mainly used to support recurrent living costs and basic needs. Remittances used for investment purposes are largely directed towards housing and/or agricultural activities, with a small proportion (8% of respondents) investing remittances in small business development. The use of remittances is determined by four main factors: (1) socio-demographic characteristics of the recipient household, (2) the economic environment in which remittances are received, (3) people's knowledge of and interest in various forms of investment, and (4) people's attitudes towards and access to financial services.

Remittances have an important impact on the financial well-being of many families and are keeping some of the most vulnerable households out of poverty. In many families, remittances have also contributed to the acquisition of one large asset – housing. Additionally, remittances help people pay for medical care and medicines and in a smaller number of cases (11%), in children's education.

A final point made in this report is the special case of migrant-sending households in Belgrade, which may be significantly different in composition, and many exhibit different patterns of migration and remittance flows, transfer and use – differences which need further exploration and which will be important when formulating future investment strategies.

## **Recommended Strategies to Enhance Remittance Flows and Economic Development Impact**

*Strategy 1: Improve formal remittance transfer services to increase remittance flows through formal channels*

- Reduce the cost of formal transfers by improving/streamlining banking/financial policies/practices to help open up the market to more providers and promote competition, and in turn, reducing cost and improving service quality;
- Form and promote new partnerships between financial service providers in Switzerland and Serbia to increase people's trust in the financial system and their use of financial institutions for remittance transfers;
- Increase banking literacy among recipients and remitters, placing special emphasis on how banks can meet the particular needs of different groups;
- Distribute information to remittance senders and receivers about the various transfer options available – relative costs, speed, etc. and their comparative advantages and disadvantages. Identify and place special emphasis on remitters sending money regularly/monthly and who are not currently using formal transfer services;

*Strategy 2: Improve financial services available to migrants and migrant families in order to integrate more people into the formal banking system, facilitate more formal flows, increase savings and expand investment in SMEs*

- Design mechanisms to link remittance transfer services via financial institutions to savings accounts offering incentives for remittance recipients to maintain a portion of their remittance income as savings;
- Adapt banking practices/policies and financial laws to allow migrants to hold foreign currency accounts in Serbian banks and for remittance recipients to withdraw funds in foreign currency, without restrictions;

- Provide affordable credit to migrants and migrant families for local and transnational SME start up/expansion and allow families to use remittance income as a form of collateral. This could be done via banks as well as community-based financial institutions;
- Provide technical assistance/business training for SME start up and/or expansion;
- Offer affordable credit for the purchase of housing in urban areas and offer migrants and remittance recipients in rural areas information about non-housing investment opportunities;
- Target remittance senders and recipient households whose socio-demographic characteristics make them most likely to be interested in investment-oriented financial services – for example, target SME investment products/services towards younger remittance senders and recipients, second-generation Serbs in Switzerland, migrants and recipients with post-secondary education and/or above average incomes;
- Create new/special financial products for female remitters and remittance recipients to support their preferences and patterns of investment in education and health;
- Create new/special financial products for older remittance recipients and the migrants sending remittances to them to support their preference/need to spend remittances on medical care. One possibility is the creation of a transnational medical insurance policy which can be paid for by migrant relatives and which provides medical coverage to elderly relatives for basic, emergency and long-term care;
- Expand on the Serbian Ministry of Diaspora's current efforts to reach out to the diaspora, engaging them as investment partners in new business initiatives and existing economic activities in targeting regions which require external financing. Place a special emphasis on supporting the start up and growth of enterprises which create employment for young people, including skilled employment to help retain high-skilled young professionals in the country. Place emphasis on the start up and expansion of SMEs which leverage the particular human and natural resources of rural and urban communities. Facilitate technical cooperation with migrants in Switzerland with relevant skills and experience to provide additional support.

*Strategy 3: Increase philanthropic investment by the Serbian diaspora in physical infrastructure and social development projects*

- Strengthen communication, collaboration and coordination between Serbian migrant organizations in Switzerland, local governments in migrant-sending regions, the Serbian Ministry of Diaspora, donor/development agencies, etc. to facilitate more collective philanthropic initiatives which address national and local development priorities in communities and regions affected by migration.
- Build capacity of migrant leaders and Serbian diaspora associations to plan, finance and implement sustainable philanthropic projects which contribute to national development goals.
- Establish a matching fund scheme for collective donations (modelled after Mexican 3x1 programme)
- Create a programme/mechanism by which Serbian migrants in Switzerland with relevant skills and experience can assist with philanthropic projects with in-kind donations of knowledge and skills.

## NOTES

1. According to migration scholar Peggy Levitt, social remittances are the ideas, behaviours, identities and social capital that flow from receiving to sending-country communities.
2. IOM's definition of remittances taken from the OSCE/IOM/ILO *Handbook on Establishing Effective Labour Migration Policies in Countries of Origin and Destination*, 2006.
3. Survey areas were suggested by the Serbian Ministry of Diaspora.
4. Snowball sampling consists of identifying respondents who are then used to refer researchers on to other respondents.
5. Mahnig, Hans and Etienne Piguet, 2003.
6. Ibid.
7. Ibid.
8. Office fédéral des migrations (Suisse), *Statistique des étrangers et de l'Ésile 2004*, Vol. 1 : effectifs et mouvements.
9. IMF Country Report 04/120, "Serbia and Montenegro: Poverty reduction strategy paper", May 2004.
10. Gross, Dominique, *Immigration to Switzerland. The Case of the Former Republic of Yugoslavia*, Simon Fraser University, February 2006.
11. Ibid.
12. Interviews with community leaders and representatives of Cuprija and Petrovac na Mlavi municipal governments.
13. IMF Country Report 04/120, "Serbia and Montenegro: Poverty reduction strategy paper", May 2004.
14. World Bank, *Global Economic Prospects*, 2006.
15. Ibid.
16. Ibid.
17. OSCE/IOM/ILO *Handbook on Establishing Effective Labour Migration Policies in Countries of Origin and Destination*, 2006.
18. World Bank, *Global Economic Prospects*, 2006.
19. World Bank, *Global Economic Prospects*, 2006.
20. A social network is a distinct group of actors and the web of relations between them, a web which is formed and held together by the direct and indirect experiences, responsibilities, favours and information shared by the group.
21. Annual Mean = 7,429 CHF/yr or 619/mo. (but this number is very skewed by high figures in distribution tail)  
Annual Median = 4,800 CHF/yr pr 400 CHF/mo. (most robust calculation in this case)  
Annual Mode = 6,000 CHF/year or 500 CHF/month (not as robust/accurate as the median)
22. World Bank, *Global Economic Prospects*, 2006.
23. Ibid.
24. De Luna Martinez, Jose, Isaku Endo and Corrado Barberis, *The Germany-Serbia Remittance Corridor : Challenges of Establishing a Formal Money Transfer System*, The World Bank, 2006.
25. In 26 of 33 (78%) reported cases of large remittance transfers (10,000+) were received in one lump sum.

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# ANNEXES

## Annex 1

### HOUSEHOLD-LEVEL SURVEY REMITTANCE RECEIVERS Serbia-Montenegro

Key: Case Study Area = CSA

#### Part I: Establishing the Context

(a) Thinking about (CSA)15 or 20 years ago, tell me what it was like here?

- Who lived here?
- What sort of work did people do? What was the local economy based on?
- How did things look physically?
- How was life different?
- Were people's basic needs met?

(b) When did people begin leaving (CSA) for other countries?

(c) Where have people gone and to which countries?

(d) Why have people left (CSA)?

(e) Who has left and who has stayed? Why?

#### Part II: Migrant and Household Profile

(1) Has someone in your household left the country to live/work in Switzerland?

Yes ☐1 No ☐2 (Politely end the interview.)

(2) If yes, who has gone to Switzerland, where do they live now and when did they first leave?

	Migrant's relation to interviewee	Gender	Year of Birth	Year of Initial Departure	Place of Current Residence in Switzerland
		<i>Female</i>	<i>1965</i>	<i>1996</i>	<i>Zurich</i>
Relative (a)					
Relative (b)					
Relative (c)					

(3) Why did your relative(s) decide to leave (CSA)?

	<u>Relative (a)</u>	<u>Relative (b)</u>	<u>Relative (c)</u>
Economic hardship / Needed money	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
Political reasons / War	<input type="checkbox"/> 2	<input type="checkbox"/> 2	<input type="checkbox"/> 2

To search for new opportunities	<input type="checkbox"/> 3	<input type="checkbox"/> 3	<input type="checkbox"/> 3
To study	<input type="checkbox"/> 4	<input type="checkbox"/> 4	<input type="checkbox"/> 4
To join a relative / Partner	<input type="checkbox"/> 5	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Other*	<input type="checkbox"/> 6	<input type="checkbox"/> 6	<input type="checkbox"/> 6
NA	<input type="checkbox"/> 99	<input type="checkbox"/> 99	<input type="checkbox"/> 99

- (4) **Why did your relative(s) decide to go to Switzerland specifically instead of another country?**  
(Mark more than one response if necessary.)

	Relative (a)	Relative (b)	Relative (c)
Offered work / possible to find work in Switzerland	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
Knew / joined someone in Switzerland	<input type="checkbox"/> 2	<input type="checkbox"/> 2	<input type="checkbox"/> 2
Switzerland is geographically close by / easy to get to	<input type="checkbox"/> 3	<input type="checkbox"/> 3	<input type="checkbox"/> 3
Could fulfill immigration requirements	<input type="checkbox"/> 4	<input type="checkbox"/> 4	<input type="checkbox"/> 4
Similar language / culture	<input type="checkbox"/> 5	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Other*	<input type="checkbox"/> 6	<input type="checkbox"/> 6	<input type="checkbox"/> 6
NA	<input type="checkbox"/> 99	<input type="checkbox"/> 99	<input type="checkbox"/> 99

- (5) **In Switzerland, does/do your relative(s) have paid employment?**

	Yes (specify)	No	NA
Relative (a)			
Relative (b)			
Relative (c)			

- (6) **Did your relative(s) work in (CSA) before they went to Switzerland?**

	Yes (specify)	No	NA
Relative (a)			
Relative (b)			
Relative (c)			

- (7) **What is the highest level of formal education that your relative(s) has/have completed?**

	Relative (a)	Relative (b)	Relative (c)
None	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
Primary School	<input type="checkbox"/> 2	<input type="checkbox"/> 2	<input type="checkbox"/> 2
Secondary School	<input type="checkbox"/> 3	<input type="checkbox"/> 3	<input type="checkbox"/> 3
Technical School (post secondary)	<input type="checkbox"/> 4	<input type="checkbox"/> 4	<input type="checkbox"/> 4
University graduate	<input type="checkbox"/> 5	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Post graduate degree	<input type="checkbox"/> 6	<input type="checkbox"/> 6	<input type="checkbox"/> 6
Other	<input type="checkbox"/> 7	<input type="checkbox"/> 7	<input type="checkbox"/> 7
NA	<input type="checkbox"/> 99	<input type="checkbox"/> 99	<input type="checkbox"/> 99

- (8) **What is your relative's marital status?**

	Relative (a)	Relative (b)	Relative (c)
Single	<input type="checkbox"/> 1	<input type="checkbox"/> 1	<input type="checkbox"/> 1
Married / Partner	<input type="checkbox"/> 2	<input type="checkbox"/> 2	<input type="checkbox"/> 2
Divorced	<input type="checkbox"/> 3	<input type="checkbox"/> 3	<input type="checkbox"/> 3
Engaged	<input type="checkbox"/> 4	<input type="checkbox"/> 4	<input type="checkbox"/> 4

Widowed	<input type="checkbox"/> 5	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Other	<input type="checkbox"/> 6	<input type="checkbox"/> 6	<input type="checkbox"/> 6
NA	<input type="checkbox"/> 99	<input type="checkbox"/> 99	<input type="checkbox"/> 99

**If married/partnered, what is the nationality of each of your relative's spouse/partner and where (which country) does each spouse/partner live?**

	Nationality of Spouse/Partner	Place of residence of Spouse/Partner
Relative (a)		
Relative (b)		
Relative (c)		

- (9) **Do/Does your relative(s) abroad have children? If so, how many, how old and where do they live?**

	Children?	# of children	Age(s)	Place(s) of residence
Relative (a)	Yes <input type="checkbox"/> 1 No <input type="checkbox"/> 2 NA <input type="checkbox"/> 99			
Relative (b)	Yes <input type="checkbox"/> 1 No <input type="checkbox"/> 2 NA <input type="checkbox"/> 99			
Relative (c)	Yes <input type="checkbox"/> 1 No <input type="checkbox"/> 2 NA <input type="checkbox"/> 99			

- (10) **Can you tell me a few things about yourself and the other people who live in your household? (Ask questions to fill in the chart below.)**

***Person being interviewed***

Gender (M/F)	Year of Birth	Highest education level completed	Has wage labour? (Yes / No)	Type of work

**Household Members – NOT including person being interviewed**

	Gender (M / F)	Year of birth	Highest education level completed	Has wage labour? (Yes / No)	Type of work
1					
2					
3					
4					

### Part III: Remittances

- (11) **Do you, or does someone in your household, receive money/remittances from your relative(s) living in Switzerland?**

Yes ☐1 No ☐2 (If no, skip to Section 4 – Impacts) NA ☐99

- (12) **Do you receive remittances from relatives living in other countries (NOT Switzerland)?**

Yes ☐1a No ☐2a NA ☐99a

If so, from which other countries do you receive remittances ? (Mark all relevant answers.)

Germany ☐1b  
Austria ☐2b  
France ☐3b  
Holand ☐4b  
Other ☐5b Specify \_\_\_\_\_  
NA ☐99b

**(13) In the past 12 months, how much money has your household received and how often?**

Amount	Currency	How often have you received this money in the past 12 months?	Total number of times recipient has received this transfer in the past 12 months	Further explanation (optional)

**(14) (Calculations below are to be done by interviewer using data provided in #13 above.)**

	Calculation	Instructions	Result
A	Total amount of money received in the past 12 months	Step 1: Multiply each amount x-total # transfers in past 12 months = subtotals Step 2: Add subtotals	
B	Total number of transfers received in the past 12 months:	Add numbers in the fourth column above	
C	Average size of each individual transfer received:	Result of (A) divided by result of (B)	
D	Average number of individual transfers received per month:	Result of (B) divided by 12	
E	Average amount received in total each month:	Result of (C) multiplied by result of (D)	

**(15) For how long has your household been receiving remittances from Switzerland?**

Less than 2 years ☐1 14-16 years ☐6  
2-4 years ☐2 17-19 years ☐7  
5-7 years ☐3 20 + years ☐8  
8-10 years ☐4 other ☐9  
11-13 years ☐5 NA ☐99

**(16) Over time, has the quantity or frequency of the remittances you receive changed?**

Yes ☐1a No ☐2a NA ☐99a

**If so, what sort of changes have occurred?**

Receive more / more often ☐ 1b  
 Receive less / less often ☐ 2b  
 Other ☐ 3b Specify \_\_\_\_\_  
 NA ☐ 99b

**What is the reason for this change?**

Change in employment/income/financial needs of migrant relative in Switzerland ☐ 1c  
 Change in the needs/financial situation of remittance-receiving household ☐ 2c  
 Other ☐ 3c Explain \_\_\_\_\_  
 NA ☐ 99c

**(17) How do you normally receive your remittances? (Mark 1<sup>st</sup> and 2<sup>nd</sup> priority.)**

Remittance company ☐ 1a Specify which \_\_\_\_\_  
 Bank transfer / e-banking ☐ 2a  
 Hand carried (by migrant, friend, etc.) ☐ 3a  
 Mail/post ☐ 4a  
 Travel Agency ☐ 5a  
 Bus driver ☐ 6a  
 Other ☐ 7a Explain \_\_\_\_\_  
 NA ☐ 99a

**Have you always received your remittances through this method?**

Yes ☐ 1b No ☐ 2b NA ☐ 99b

**If no, how did you previously receive your remittances? (Mark 1<sup>st</sup> and 2<sup>nd</sup> priority.)**

Remittance company ☐ 1c Specify which \_\_\_\_\_  
 Bank transfer / e-banking ☐ 2c  
 Hand carried (by migrant, friend, etc.) ☐ 3c  
 Mail/post ☐ 4c  
 Travel Agency ☐ 5c  
 Bus driver ☐ 6c  
 Other ☐ 7c Explain \_\_\_\_\_  
 NA ☐ 99b

**(18) Speaking of the current method that your relative uses to transfer remittances to you, can you tell me why they use this method/company? (Multiple answers are allowed.)**

Lowest cost ☐ 1  
 Reliability/Trust ☐ 2  
 Convenient location ☐ 3  
 Fast ☐ 4  
 It's the only choice ☐ 5  
 Delivers money to the house ☐ 6  
 Other ☐ 7 Explain \_\_\_\_\_  
 Most secure/safe ☐ 8  
 NA ☐ 99

- (19) When you need/ask for money from your relative in Switzerland, how much time does it take for you to receive it?

Less than 24 hours ☐1  
 1 day ☐2  
 2-3 days ☐3  
 4-7 days ☐4  
 More than one week ☐5 Specify \_\_\_\_\_  
 NA ☐99

- (20) *question was removed*

- (21) Do you have to pay a fee to receive your remittances?

Yes ☐1  
 No ☐2  
 NA ☐99

Specify the type/purpose of the fee and how much it is.

- (22) When you add together the total earned income, remittance income and any other income you receive, such as pension or investments, what is your total monthly household income?

Remittance Income (monthly average)	Wages and/or Pension Income (monthly average)	All Other Income (monthly average)	Total Monthly Household Income (indicate currency)
Insert answer (E) of question #14			

- (23) (Interviewer: Calculate what percentage remittances represent of the total household income.)

Remittance income / Total monthly household income = \_\_\_\_\_ (as a percentage)

- (24) What do you use your remittances for? (Interviewer: Read list and mark all that apply.)

**Consumptive Uses and Social Expenditures:**

Food	<input type="checkbox"/> 1	Gas/Transportation	<input type="checkbox"/> 2
Household Appliances or Furniture	<input type="checkbox"/> 3	Clothing	<input type="checkbox"/> 4
Utilities (Water, electricity and gas)	<input type="checkbox"/> 5	Leisure	<input type="checkbox"/> 6
Phone	<input type="checkbox"/> 7	Pay Debt/Consumptive Loan	<input type="checkbox"/> 8
To help/loan to others	<input type="checkbox"/> 9	Medicine/Healthcare	<input type="checkbox"/> 10
Children's Education	<input type="checkbox"/> 11	Housing costs	<input type="checkbox"/> 12

**Economic Activities & Asset Creation:**

Buy land ☐13  
 Build/buy/improve house/apartment ☐14  
 Buy/grow/start a business (specify) ☐15  
 Save ☐16  
 Higher Education/Vocational Training ☐17  
 Pay off business or home loan ☐18  
 Buy animals/livestock ☐19  
 Expand agricultural production ☐20

Specify/Additional details here:

Other (specify)

☐21

- (25) **Among the different things that you just mentioned spending your remittances on, what is the order of priority?**

	Type of Expenditure
PRIORITY #1	
PRIORITY #2	
PRIORITY #3	
PRIORITY #4	
PRIORITY #5	

- (26) **Who makes the decisions about how your remittances are spent?**

Respondent ☐1  
Migrant (living in Switzerland) ☐2  
Both migrant and respondent ☐3  
Other ☐4 Specify \_\_\_\_\_  
NA ☐99

- (27) **Thinking about the future, do you hope or plan to use your remittances for any of the following activities? (Interviewer: read list then ask:)**

- Buy land
- Build/buy/improve house/apartment
- Buy/grow/start a business
- Save
- Higher Education/Vocational Training
- Pay off business or home loan
- Buy animals/livestock
- Expand agricultural production

Yes ☐1 No ☐2 NR ☐99

**If yes, please specify plans** \_\_\_\_\_

**If no, please explain why not and what would have to change in order for you to use your remittances for these types of activities in the future?** \_\_\_\_\_

- (28) **Do you have a bank account?**

Yes ☐1a (fill in box below and then skip to question 30)  
No ☐2a (skip to question 29)  
NA ☐99a

**If yes, what do you use your bank account for? (Read list of options below.)**

	Yes	No
Send/Receive Transfers/Remittances from abroad		
Manage cash flow		



Take/Pay loans/debts (specify loan type)		
Save		
Other		

(29) **If you don't have a bank account, why don't you have a bank account?**

- No bank close to home or work ☐1  
 Don't trust banks ☐2  
 Process is confusing/Don't know how ☐3  
 Don't have money ☐4  
 Other ☐5 \_\_\_\_\_  
 NA ☐99

(30) **Apart from money, do you receive other kinds of goods (in-kind) from your relatives in Switzerland?**

Yes ☐1a No ☐2a NA ☐99a

**If yes, what type of goods?**

- Household equipment (washing machine, fridge, freeze, etc.) ☐1b  
 Consumption goods (clothing, mobile phone, TV, etc.) ☐2b  
 Production goods (machines, etc.) ☐3b  
 Other ☐4b \_\_\_\_\_  
 NA ☐99b

## SECTION IV: Impacts

**CONTROL QUESTION:** Does this household receive remittance: Yes ☐ No ☐

(31) **POVERTY Indicator = Level of Income and Financial Assets**

- (A) Total Monthly Income: \_\_\_\_\_ (refer to question 22)  
 Or  
 Total Monthly Expenditures: \_\_\_\_\_

(NOTE: Enter both amount and currency.)

(B) **Do you own any of the following?**

- |          |                              |                             |   |                          |
|----------|------------------------------|-----------------------------|---|--------------------------|
| Home     | Yes <input type="checkbox"/> | No <input type="checkbox"/> | <input type="checkbox"/> If yes, paid (all or part) with remittances? | <input type="checkbox"/> |
| Business | Yes <input type="checkbox"/> | No <input type="checkbox"/> | <input type="checkbox"/> If yes, paid (all or part) with remittances? | <input type="checkbox"/> |
| Land     | Yes <input type="checkbox"/> | No <input type="checkbox"/> | <input type="checkbox"/> If yes, paid (all or part) with remittances? | <input type="checkbox"/> |
| Animals  | Yes <input type="checkbox"/> | No <input type="checkbox"/> | <input type="checkbox"/> If yes, paid (all or part) with remittances? | <input type="checkbox"/> |
| Vehicle  | Yes <input type="checkbox"/> | No <input type="checkbox"/> | <input type="checkbox"/> If yes, paid (all or part) with remittances? | <input type="checkbox"/> |
| Savings  | Yes <input type="checkbox"/> | No <input type="checkbox"/> | <input type="checkbox"/> If yes, paid (all or part) with remittances? | <input type="checkbox"/> |

(32) **SHELTER** Indicator = General condition of housing

A	Overall size (# rooms)	Describe:
B	General condition	Describe
C	New construction?	Describe:
D	Did you use remittances to build/upgrade your home?	Yes <input type="checkbox"/> No <input type="checkbox"/>
E	If yes, what sort of home did you live in before? What changes have you made?	Explain

(33) *Question measuring impact on hunger was removed (can be reinserted)*

(34) **HEALTH** Indicator = Access to needed medical service

When someone in your household needs medical attention because they are sick or injured, what do you do? Where do you go for help?	
Do you usually have sufficient resources to pay for necessary services and medicine?	
Does your migrant relative in Switzerland and/or remittances help pay for these costs?	
If your migrant relative or remittances help pay for medical services, what did you do before this help was available?	

(35) **EDUCATION** Indicator = Levels of education for household members

Do you use remittances to pay the educational costs of one or more of your household members and/or does your migrant relative help pay the educational expenses of one or more of your household members? Explain.

Yes ☐1  
No ☐2  
NA ☐99

**If yes, please specify the following:**

(a) Whose education is supported by remittances?	
(b) What are remittances specifically used for?	
(c) How has support from remittances changed the educational opportunities of your household members?	

## **Annex 2**

### **FOCUS GROUP QUESTIONS**

#### **REMITTANCE RECEIVERS**

##### **Belgrade, Serbia-Montenegro**

1. Tell me about your relatives who live in Switzerland:
  - Who are they? (what relation to you)
  - When did they leave Serbia-Montenegro?
  - Why did they choose to go to Switzerland?
  - Where do they live in Switzerland?
  - What level of education does your relative have and where did they do their studies?
  - What sort of work do they do in Switzerland?
  - Is your relative married? If yes, what is the nationality of their spouse? Do they have children?
2. Tell me about the relationship that your relative in Switzerland has with Serbia?
  - How often does your relative travel to Serbia?
  - What does your relative do when they are in Serbia?
  - Does your relative buy things in Serbia to carry back to Switzerland? Explain.
  - Does your relative own property (apartment, house, land) or a business in Serbia?
  - Do they plan to return to Serbia permanently at some point? Why/why not?
3. Tell me about the assistance (money/goods) you receive from your relative in Switzerland:
  - Do you receive money (remittances) from your relative in Switzerland?
  - How often do you receive this money?
  - How is this money sent to you?
  - Do you have to pay anything to receive your money this way? If so, how much?
  - What do you use this money for?
  - Do you save any of the money you receive from your relative in Switzerland?

- Has your relative loaned or gifted you money to help you purchase an apartment, house, land or a business? If yes, please explain.
  - Besides money, do you also receive goods from your relatives in Switzerland?
  - If yes, what kind of goods have you received?
  - How are these goods sent to you and do you have to pay a fee to receive them?
  - Have you received any other form of support or assistance from your relative in Switzerland? If yes, please explain.
4. The Swiss government is interested in making some new investments in Serbia, in partnership with Serbian people living in Switzerland, to help stimulate economic development in Serbia. In your opinion, what are the most important economic development needs in the country and how could the Swiss government and Serbian people living in Switzerland help most?

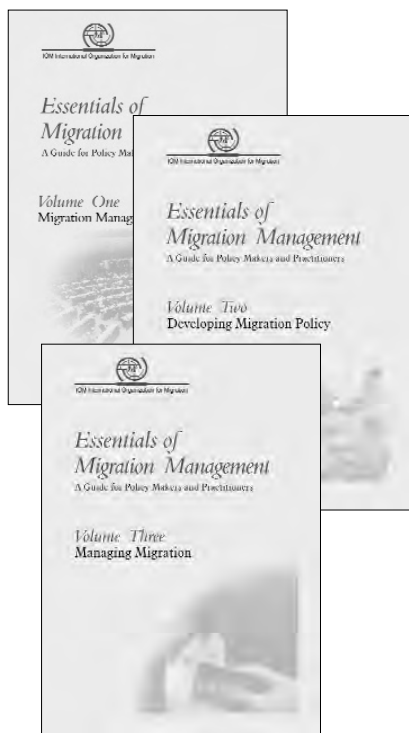
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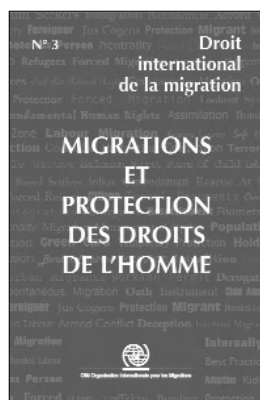
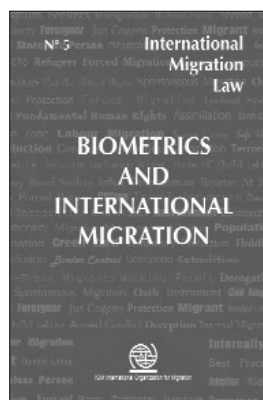
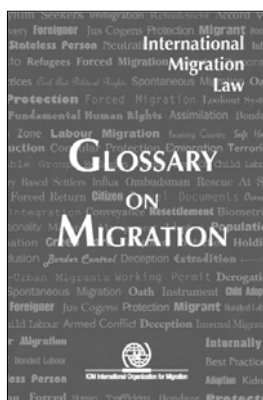
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Long-standing transnational relationships between Serbian households and their migrant relatives living in Switzerland have facilitated a large and ongoing flow of remittances and other forms of material support over the last several decades.

Recognizing the important impact that these remittance flows can have on poverty alleviation and economic development in Serbia at the household, regional and national level, the Swiss Secretariat for Economic Affairs of the Government of Switzerland (SECO) commissioned an investigation of this migration and remittances corridor. This work was carried out by IOM and two other institutional partners – the European Bank for Reconstruction and Development (EBRD) and the Swiss Forum for Migration (SFM). IOM's contribution focused on measuring the flows, transfer patterns, use and impact of remittances from Switzerland on migrant-sending households in Serbia. 343 household surveys were conducted in two rural, migrant-sending regions of Serbia with links to Switzerland, complemented by focus groups, key informant interviews and secondary literature.

The results of IOM's research investigation is the focus of this report. Concrete recommendations on how to improve remittance services to migrants and promote their economic development impact in Serbia are also included.



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