

Circular Migration and Entrepreneurship in the Western Balkans: From Brain Drain to Innovation Potential

Eldisa Cirogu

Independent Researcher, Tirana, Albania

eldisa.cirogu@commercey.co

Abstract: This paper examines how circular migration can support entrepreneurship and innovation in the Western Balkans, using Albania as the principal analytical reference point. Migration in the region is usually framed as brain drain, yet that framing captures only one side of the relationship between mobility and development. Migrants and returnees may also accumulate skills, savings, market knowledge, work discipline, and transnational networks that can be mobilized for new venture creation, small-firm upgrading, and international market access. The paper argues that entrepreneurship is the critical mediating mechanism between migration and development: mobility-generated assets only become productive when they are translated into business formation, SME upgrading, innovation adoption, and export-oriented activity. The study is conceptual and exploratory. It draws on academic literature on brain circulation, transnational entrepreneurship, return migration, and entrepreneurial ecosystems, and combines this with desk-based analysis of recent official data and policy material from Albania. The empirical context is important. Recent official evidence indicates that Albania has around 1.6 million citizens abroad, that 37 percent of Albanian households include a current or returned migrant, that 108,503 Albanians returned over the previous 12 years including 25,595 in 2023, and that personal remittances equaled 8.4 percent of GDP in 2024. At the same time, only 23.8 percent of individuals report basic or above-basic digital skills, even though roughly 95 percent of public services are available online. The paper's main finding is that circular migration clearly generates entrepreneurial resources, but these resources are only partially converted into innovation and growth because migration policy, SME support, digital capability, and export promotion remain weakly aligned. The paper contributes by integrating migration studies with ecosystem thinking, by grounding the discussion in stronger official evidence, and by proposing a concise conceptual framework through which entrepreneurship mediates the relationship between circular migration and development.

Keywords: Circular Migration; Entrepreneurship; Return Migration; Entrepreneurial Ecosystems; Albania; Western Balkans

1. Introduction

Migration has shaped the social and economic transformation of the Western Balkans for more than three decades. In Albania, large-scale emigration since the early 1990s has affected labor supply, demographic structure, household welfare, and the country's ties to regional and global markets. Recent official evidence confirms that migration remains a structural feature of Albania's development path rather than a temporary episode. The Albania Household Migration Survey 2024 estimates that 1.6 million Albanians live abroad, while more than one in three Albanian households includes a current or returned migrant (World Bank, 2025a). INSTAT (2025) also reports that net migration remained negative in 2024, indicating that outward mobility pressures continue.

The dominant interpretation of these dynamics has long been brain drain. That concern is not misplaced. Persistent emigration can remove skilled labor, intensify demographic aging, and weaken the domestic supply of capabilities needed for growth. Yet a purely loss-based reading is analytically incomplete. Migrants do not only leave; many also return, circulate, remit, invest, advise, and sustain business and family ties across borders. Migration therefore creates not only demographic pressure but also a flow of resources that may retain developmental value for the country of origin.

This paper asks: how can circular migration be used more effectively to promote entrepreneurship and innovation in the Western Balkans? Its central argument is that entrepreneurship is the key mediating mechanism between migration and development. Skills, savings, and transnational contacts only become development assets when they are transformed into new firms, upgraded SMEs, innovation adoption, and market expansion. That transformation depends not only on migrants themselves, but also on the quality of the entrepreneurial ecosystem into which they return or with which they remain connected.

The paper contributes in three ways. First, it connects the migration literature with work on entrepreneurial ecosystems and transnational entrepreneurship. Second, it grounds the discussion in recent official evidence from Albania, which serves as a useful reference case because it combines high outward mobility, significant return migration, strong remittance flows, and still-fragmented competitiveness support. Third, it proposes a concise conceptual framework showing how circular migration can produce entrepreneurial value under some ecosystem conditions but remain underused under others.

2. Literature and Analytical Framework

Classical migration theory treated labor mobility largely as a response to wage differentials and household risk diversification. Stark (1991) emphasized that migration decisions are often embedded in family strategies rather than made by isolated individuals, while Portes (1998) showed that social capital and migrant networks influence both migration opportunities and outcomes. Within this earlier literature, the emigration of skilled workers from smaller and poorer economies was often interpreted as a developmental loss.

Later work complicated that view. Saxenian (2005) introduced the idea of brain circulation to show that migrants may contribute to development through repeated mobility, investment, and cross-border knowledge transfer rather than only through permanent return. Vertovec (2007) similarly emphasized that migrants can remain embedded in more than one economic and social space at once. These perspectives are important because they shift analysis from one-way exit toward circulation, transaction, and recombination across borders.

This literature intersects with research on entrepreneurship. Drori, Honig and Wright (2009) conceptualize transnational entrepreneurship as venture creation that draws on opportunities, resources, and networks spanning more than one country. Wahba and Zenou (2012) show that migration can increase the likelihood of entrepreneurship because it enables savings accumulation and human-capital formation, although time abroad may also weaken some forms of home-country social capital. Filatotchev et al. (2009) further argue that returnee entrepreneurship can improve the export orientation and performance of firms in emerging-market contexts by transferring international knowledge into domestic business practices.

However, migrant resources alone do not explain entrepreneurial outcomes. For that, the entrepreneurial ecosystems literature is especially useful. Stam (2015) defines entrepreneurial ecosystems as interdependent actors and factors coordinated in ways that enable productive entrepreneurship in a territory. Spigel (2017) adds that ecosystems are relational structures composed of material, social, and cultural elements that reproduce entrepreneurial activity over time. This perspective is especially relevant in transition economies, where finance, digital capability, market access, institutional support, and policy coherence determine whether external knowledge can actually be absorbed.

The main theoretical gap in the Western Balkans literature lies in the weak integration of these fields. Migration is often treated as a demographic or labor-market problem, while entrepreneurship is approached mainly through SME or innovation policy. What remains underdeveloped is an explanation of how migration-generated resources are converted into enterprise creation, upgrading, and internationalization. This paper addresses that gap by proposing a framework in which circular migration generates entrepreneurial resources, entrepreneurship mediates their productive use, and ecosystem conditions determine whether the result is brain circulation or continued underuse of migration-linked assets.

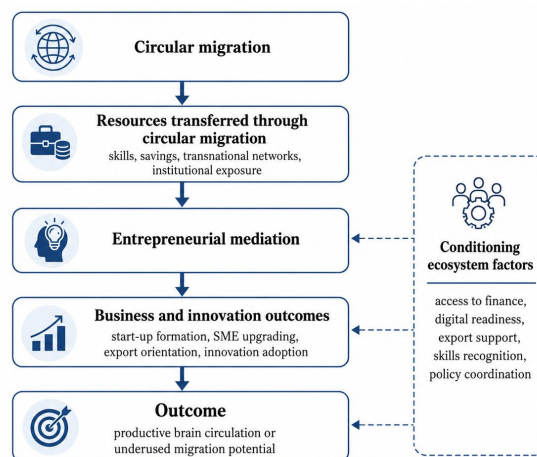


Figure 1: Conceptual framework

3. Methodology and Scope

This paper is a conceptual and exploratory study. It does not present original interview material or primary survey fieldwork and does not claim to test causal relationships through empirical modeling. Instead, it integrates three sources of evidence: academic literature on migration, return migration, transnational

entrepreneurship, and entrepreneurial ecosystems; policy and institutional documents relevant to Albania and the Western Balkans; and recent official secondary data from the World Bank, INSTAT, and OECD.

The analytical strategy proceeded in three steps. First, the literature was reviewed to identify the mechanisms most commonly used to explain how migration may affect entrepreneurship and development. Second, recent official data were used to establish the scope and profile of Albanian migration, return migration, remittances, digital readiness, and SME-support conditions. Third, these materials were synthesized into four analytical categories: migration-generated resources, entrepreneurial mediation mechanisms, ecosystem enablers, and structural constraints.

This framing is important because the original manuscript described interviews with practitioners without providing the empirical detail needed for an interview-based academic paper. Recasting the paper as desk-based conceptual analysis resolves that inconsistency and aligns the method with the evidence actually used. It also better reflects the paper's purpose, which is not to claim causal proof, but to clarify the conceptual and policy mechanisms through which circular migration may support entrepreneurship.

The scope is therefore bounded. Albania is treated as the principal reference case, while claims about the wider Western Balkans are inferential rather than statistically comparative. The paper also does not assume that all return migration generates innovation or that all migrant entrepreneurship is growth-oriented. Rather, it identifies the conditions under which migration-linked assets are more likely to be translated into productive entrepreneurship instead of subsistence-level self-employment.

4. Albania as the Reference Case

Table 1: Selected indicators for Albania's migration-development context

Indicator	Latest Evidence	Relevance to the Argument
Albanians Living Abroad	1.6 million	Large external stock of human and social capital
Households with a Current or Returned Migrant	37%	Migration has economy-wide relevance
Return Migration	108,503 returnees in the previous 12 years, including 25,595 in 2023	Return is quantitatively significant
Net migration	-28,836 in 2024	Out-migration pressures remain strong
Personal Remittances	8.4% of GDP in 2024	Migration remains macroeconomically important
Recipient-household Income From Remittances	41% of total household income among recipient households	Financial flows are substantial but household-centered
Individuals With Basic or Above-Basic Digital Skills	23.8%	Weak digital readiness constrains upgrading
Public Services Online	about 95%	State digitalization has advanced
SMEs in Active Enterprises	99.8%	SME support quality is critical to development outcomes

Source: compiled from World Bank (2025a), INSTAT (2025), World Bank Data (2025), and OECD (2024).

Albania is a particularly useful case for examining the migration-entrepreneurship relationship because multiple migration dynamics coexist. The country combines large-scale emigration, meaningful return flows, strong

remittance dependence, and a visible but still incomplete policy interest in diaspora and return migration. According to the World Bank (2025a), 37 percent of Albanian households include a current or returned migrant. The same source reports 108,503 returnees over the previous 12 years, including 25,595 in 2023 alone. These figures show that return is not marginal; it is a significant component of Albania's mobility profile.

Migration is also highly differentiated. Different corridors appear to generate different forms of human-capital accumulation. The World Bank (2025a) shows that migrants to the United States and Germany are considerably more likely to have tertiary education than migrants to Greece, indicating that some mobility channels may produce stronger entrepreneurial potential than others. The same report notes that more than one quarter of current migrants with tertiary degrees completed that education abroad, which suggests that migration itself can become a mechanism of human-capital accumulation rather than merely one of labor extraction.

Financial links are equally important. The World Bank (2025a) finds that approximately half of migrant households received remittances in the year before the survey and that these transfers accounted for 41 percent of total income among recipient households. Yet the same report also shows that remittance use remains heavily consumption-oriented: 90 percent of households use remittances for food and daily necessities, while productive investments such as business expansion or agricultural inputs remain below 2 percent. This is analytically significant because it shows that migration generates resources, but not automatically entrepreneurial outcomes.

Finally, Albania reveals a revealing tension between state digitalization and firm capability. OECD (2024) reports that about 95 percent of all public services are available online, while only 23.8 percent of individuals report basic or above-basic digital skills. In other words, the public sector's digital transition has advanced faster than the productive capabilities of many citizens and firms. That matters because migration-linked entrepreneurship often depends on digital tools for cross-border coordination, market discovery, and service delivery.

5. Findings

The analysis yields three main findings. First, circular migration clearly enlarges the resource base from which entrepreneurship can emerge. Second, entrepreneurial reintegration exists, but often remains small-scale. Third, the principal bottleneck is ecosystemic rather than motivational.

The first finding is that migration generates multiple entrepreneurial assets. These include savings, remittances, work experience, foreign-language ability, organizational routines, and transnational contacts. Such assets can help returnees or diaspora-linked actors identify market gaps, adopt international standards, and connect local production to foreign demand. The World Bank (2025a) reinforces this argument by showing that migration is associated with both financial accumulation and human-capital accumulation, including education achieved abroad and work experience that later yields wage returns in Albania.

The second finding is that entrepreneurial reintegration is visible but fragile. Returnees are not economically passive. World Bank (2025a) reports that returnees have higher employment rates than non-migrants and that self-employment has become increasingly visible across return cohorts. Self-employment among returnees rose from 7 percent among those returning in 2000–2004 to 29 percent among recent cohorts, peaking at 34 percent among those returning in 2010–2014. However, most of this entrepreneurship is not employer-based. Among self-employed returnees, 91–93 percent operate without paid employees, while only a small minority report being employers with paid employees. This matters because it indicates that returnee entrepreneurship often exists, but usually does not scale into broader job creation or innovation-intensive growth.

The third finding is that the main barrier lies in the ecosystem. Albania has made visible progress in digital government, in the legal framework for e-business, and in the formal architecture of export promotion and SME support. Yet implementation capacity remains weak. OECD (2024) reports that AIDA's export-promotion services remain centered primarily on capacity building, with limited targeted assistance for SMEs, despite SMEs accounting for 99.8 percent of active enterprises. The same report notes that staff allocated to export-promotion activities increased only from three in 2018 to four in 2022, while the export-promotion budget relative to total exports declined over the same period. Support exists, but it is too thin to systematically convert mobility-linked assets into scaled market participation.

The same pattern appears in digitalization. OECD (2024) documents progress in e-signatures, e-business rules, and SME digitalization programs, but also shows that many initiatives remain donor-funded, limited in scale, or weakly monitored for impact. This is important because migrant and returnee entrepreneurs often rely on digital

tools to sustain transnational coordination, online sales, and market access. When firm-level digital capability remains weak, the value of transnational experience is harder to monetize.

Table 2: Mechanisms, barriers, and implications

Dimension	Development Mechanism	Main Barrier	Policy Implication
Human Capital	Skills, managerial routines, and quality standards learned abroad	Weak reintegration and skills-matching systems	Link return support to entrepreneurship support and sector needs
Financial Capital	Savings and remittances can fund firms and upgrading	Consumption bias and weak channeling into enterprise finance	Create returnee- and diaspora-oriented seed instruments
Transnational Networks	Access to suppliers, customers, and trust networks abroad	Low export readiness and weak brokerage institutions	Build diaspora mentoring and export-linkage programs
Digital Capability	Lower coordination costs and easier cross-border service delivery	Low digital skills and limited SME digital support	Pair e-government progress with SME digitalization support
Institutional Coordination	Better alignment can turn mobility into productive brain circulation	Fragmented migration, SME, and innovation policy	Create integrated mobility-enterprise policy instruments

Source: author's synthesis.

Overall, the findings point to a systemic disconnect between three elements: the capabilities of migrants and returnees, the absorptive capacity of domestic SMEs, and the demands of international markets. When these elements do not align, migration-based assets remain underused. Migration still supports household welfare and social resilience, but its effects on innovation, formal job creation, and export upgrading remain weaker than they could be.

6. Discussion

The central contribution of this paper is to reposition entrepreneurship as the mechanism that links circular migration to development outcomes. This matters because many policy discussions still separate migration from enterprise development. Migration is treated as a labor-market or demographic issue; entrepreneurship is treated as an SME policy issue. The evidence reviewed here suggests that this separation is misleading. In high-mobility societies such as Albania, migration changes the composition of local entrepreneurial resources, not only the demographic profile of the labor force.

The findings also speak directly to the entrepreneurial ecosystems literature. Migrants and returnees may possess valuable assets, but ecosystem quality determines whether those assets produce productive entrepreneurship. A returnee with sector experience, language skills, and business contacts may still fail to build a growth-oriented firm if credit is unavailable, export support is generic, digital support is weak, and navigating institutions is costly. Conversely, the same returnee may become a valuable bridge between local firms and foreign markets if the ecosystem offers targeted support and brokerage.

The Albanian case suggests that current policy is strongest in recognition and weakest in coordination. Official discourse increasingly acknowledges diaspora engagement, SME competitiveness, digitalization, and internationalization as priorities. Yet the instruments connecting those fields remain weak. Migration policy is not fully integrated with entrepreneurship support; digital public services are more advanced than firm-level digital capability; and export promotion remains under-resourced relative to the structure of the Albanian economy. A more coherent strategy would link return migration, diaspora engagement, SME upgrading, digital capability, and export readiness rather than treating them as separate policy silos.

This interpretation has implications beyond Albania. Other Western Balkan economies also combine high outward mobility, fragmented ecosystems, and competitiveness agendas that remain unevenly implemented. Using entrepreneurship as the analytical bridge between mobility and development may therefore help explain why migration produces widely different economic outcomes across the region. It also suggests a clear agenda for future research: more comparative work on returnee firms, diaspora brokerage, and sector-specific ecosystems that can translate mobility into innovation rather than only compensating for loss.

7. Conclusion

This paper has argued that circular migration should be understood not only as a demographic or labor-market phenomenon, but also as a potential source of entrepreneurial renewal. Using Albania as the main reference case, it has shown that migration generates a meaningful stock of skills, savings, and transnational links, while return migration creates openings for reintegration through enterprise activity. However, those openings do not automatically produce innovation or broad-based development.

The key reason is ecosystem weakness. Entrepreneurship can mediate migration's developmental effects only where the surrounding ecosystem is able to translate migrant resources into start-up formation, SME upgrading, export orientation, and innovation adoption. In Albania, that translation remains partial because digital readiness, targeted export support, institutional capacity, and policy coordination are still limited. Circular migration therefore contains real innovation potential, but much of it remains underused.

The broader implication is that policy should move beyond the simple opposition between brain drain and return. A more useful approach is to ask how mobility-generated assets can be retained, circulated, and scaled through entrepreneurship. That means linking migration governance with SME policy, digital capability building, innovation support, and market internationalization. Such integration would not eliminate the costs of emigration, but it would improve the chances that mobility contributes to resilience, capability, and innovation in the Western Balkans.

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Ethics Declaration

Ethical clearance was not required for this study because it is based on literature review, policy analysis, and secondary data from publicly available sources.

AI Declaration

AI tools were used in a limited way for language refinement and drafting support. All arguments, source selection, interpretation, and final content were reviewed and validated by the author.

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