



Organization for Security
and Co-operation in Europe



Joint OSCE-IOM project: “Regional Conference on Migrant Savings, Investment, Return and Economic Reintegration for Development in the South Eastern Europe and Central Asia Regions”

General Background Paper

International and internal migration are processes to be managed rather than problems to be solved. In light of the recent global financial crisis and ongoing economic downturn this statement should be kept at the forefront when considering policies and strategies linking migration and development. In order to ensure positive impacts on development in countries of origin a common platform of understanding needs to be created amongst the actors involved in the whole migration cycle. With this in mind **the aim of the Regional Conference is to bring together representatives of the diaspora, commercial and central banks, governments and international organizations in order to develop concrete measures that can assist migrants in supporting the development of their country of origin.**

In terms of the financial resources generated by migrants, most research and government policies have focused on the capacity of remittances in alleviating poverty and fostering development. It is conservatively estimated that a total sum of US \$325 billion of remittances were channelled to home communities in 2008 and that, at a global level, their impact is felt by over 700 million people.

However, there are emerging views within the current body of research that indicate that remittances have a limited impact on supporting sustainable development in many countries of origin. Reports from the International Monetary Fund, World Bank and IOM have drawn similar conclusions that current remittances are largely dedicated to consumables meeting the immediate needs of the recipients, and as such are a limited source of capital for investment. Other studies have found that increases in flows of remittances to countries of origin have led to decreases in the supply of labour and an increase in the expenditure of commodity goods, thus creating the effect known as a “Dutch Disease”. In addition large inflows of remittances can lead to an appreciation of the currency which in turn impacts on the competitiveness of exports which can exacerbate or cause foreign trade deficit problems. With these issues in mind, **this Conference will take a partial step away from the current discourse on remittances in order to examine those migrant’s savings that are in fact accumulated and retained in countries of destination. This pool of capital, when combined with other migration-related gains, may represent a more dynamic potential flow of financial, human and social capital required by the countries of origin.**

Building on previous IASCI¹ works within the South Eastern Europe and Central Asia regions, a recent study by IOM Vienna and IASCI in Bosnia and Herzegovina examined the saving behaviours and capabilities of BiH migrants in Austria. Through conservative extrapolation it was estimated that these ‘retained savings’ accumulated by BiH migrants have resulted in pools of capital across Europe amounting to multiple billions of Euros. This finding raises some critical questions:

- ‘How can governments and financial intermediaries encourage migrants to save, and possibly invest, in their countries of origin?’
- What scope is there to develop ‘policies, financial products, banking services that can facilitate the flow of migrant capital to their countries of origin, and thereby assist in their sustainable development?’

These questions represent central themes of the conference and the rationale for bringing together diaspora organizations, commercial and central banks, governments and international organizations. Practical experience and numerous studies have shown that migrants preserve strong links to their families and communities in the country of origin. It is crucial that this connection is fully appreciated by governments and the financial sector alike when developing any savings and investment related interventions, as this important linkage can serve as a viable means of communication between a country of origin and destination, citizens and government, clients and bank.

It is common among migrants and their families to deposit their savings in foreign-owned banks. At the same time a generalized lack of trust on the part of most migrants in the banking sector of their countries of origin has been repeatedly cited as one of the barriers to retaining their savings there. Viable and durable interventions addressing this primary constraint will need to take into account the concerns and objectives of migrants through their complete migration cycle. Measures could include pre-departure financial planning and the introduction of relevant financial and savings products to a prospective migrant and their family. By means such as this, governments and banks can take affirmative measures in re-establishing trust between the migrant and the banking sector, as well as the legal framework of the country of origin.

Furthermore, in terms of banking within the country of origin, banking services need to be extended to reach the families of the migrants. As an IOM study in Albania identified, this as an “obstacle to local economic development.” Geographical barriers and the high cost of utilising the banking services are two of the reasons that lead to the exclusion of people from accessing the banking system. This study also highlighted a lack of current incentives for migrants to invest within Albania as the survey estimated that over 60 per cent of migrants did not expect to invest their savings within Albania.

However trust within the banking system is just one of the current obstacles that needs to be addressed in order to successfully promote and attract migrant savings for development. The 2009 UNDP Human Development Report states that “*Migration, and remittances in particular, cannot compensate for an institutional environment that hinders economic and social development (...). A critical point that emerges from experience is the importance of national economic conditions and strong public-sector institutions in enabling the broader benefits of mobility to be reaped.*”² By way of example, countries of origin need to ensure that

¹ International Agency for Source Country Information

² Overcoming barriers: Human mobility and Development, Human Development Report 2009 UNDP pg 108.

they gear their economic strategies towards policies and institutions that can harness the flow of migrant savings towards development. A particular focus should be applied to the banking legislation in regard to existing policies that complicate that transfer of foreign capital.

These are just a few of the issues that make it difficult for migrants to save or invest in their country of origin. They also provide us with a snapshot of why it is essential that the key players involved in migration-related financial intermediation as well as migration for development related issues take a holistic approach. As mentioned, this conference will partially shift the focus from remittances towards migrant savings while not overlooking the importance of, and enormous depth of information on, current remittances. The technology involved in the transfer of money from one region or country to another is something that could be adapted to use in the transfer of migrant savings to the country of origin for savings and investment purposes. In addition the vast knowledge on ‘money corridors’ could be used to complement the development of interventions for retained migrant savings in the country of destination for products or services in the country of origin.

Finally, stakeholders wishing to capitalise or leverage retained migrants savings need to bear in mind that the objectives and desires of the migrants and the realities of their home communities vary greatly. A ‘one size fits all’ approach should be avoided because it overlooks the individual objectives for the migrant and context of the situation within their country of origin. Intense collaboration between all key stakeholders is one measure that could be harnessed to create interventions that match the needs of migrants and places of origin equally. **Harnessing migrant capital for development is a new frontier in the sphere of development. It presents an exciting opportunity to tap into a previously unrecognized and underutilized resource.**