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**Report No. 60590 - XK**

# **Migration and Economic Development in Kosovo**

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## REPUBLIC OF KOSOVO

### CURRENCY AND EQUIVALENTS UNITS (Exchange Rate as of February 28, 2011)

Currency Unit	Euro (EUR)
US\$1.00	Euro 0.7506
Fiscal Year	

**January 1 to December 31**

### ABBREVIATION AND ACRONYMS

AECI	Development Agency of Spain ( <i>Agencia Española de Cooperación Internacional</i> )
BEEPS	Business Environment Enterprise Performance Survey
BiH	Bosnia and Herzegovina
BMI	Multisectoral Investment Bank, El Salvador
BNR	National Bank of Rwanda
ECA	Europe and Central Asia
ESI	European Stability Initiative
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
HBS	Household Budget Survey
IME	Institute of Mexicans Abroad ( <i>Instituto de los Mexicanos en el Exterior</i> )
IMF	International Monetary Fund
IOM	International Organization of Migration
LFS	Labor Force Survey
MFI	Microfinance institutions
MTO	Money transfer operator
Navtec	National Vocational & Technical Education Commission, Pakistan
POEA	Philippine Overseas Employment Administration
RDMF	Rwandan Diaspora Mutual Fund
RRH	Remittance-receiving households
SOK	Kosovo Statistical Office
TA	Technical assistance
UN	United Nations
UNDP	UN Development Programme

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## EXECUTIVE SUMMARY

International emigration from Kosovo is among the highest in the world. Today, every third or fourth household (depending on the information source) has a family member living abroad. Much emigration has been motivated by economic reasons and by the armed conflict in the late 1990s; resolution of the conflict does not seem to have been enough incentive for most migrants to return. Migration and the resulting remittances have been a safety valve for many of those left behind in Kosovo, ensuring their livelihood in a country that has the highest unemployment and poverty rates in Europe. Remittances are the largest source of external financing for Kosovo. Even though their share in GDP fell from 17.5 percent in 2004 to below 13 percent in 2010, it is still high by regional and global standards.

Despite the significant role of migration in Kosovo's economic, political and social landscape, policies to maximize its contribution to economic development are minimal at best. In 2009 the Government of Kosovo adopted a National Strategy and Action Plan on Migration for 2009–12, but it was concerned primarily with irregular migration and administration of returning refugees and implementation falls largely under the Ministry of interior. No government strategic document contains policies that recognize and build on the economic aspects of migration.

For countries that have substantial migration, integrating migration-related policies into national development strategies can promote economic and social development; there is an array of policies and instruments that can be used to maximize the impact of migration on development. Policies can target every step in the migration process: before migrants leave the country, during their time abroad, and upon their return home. Policy makers could thus aim at preparing potential migrants to find the best employment opportunities abroad, facilitating remittances while they are away, offering employment and investment opportunities to those returning, or all three.

Once the desired policies have been identified, policy makers need to choose instruments to implement them. Such instruments might include technical assistance, communication and outreach, funding facilities, regulation, and education. This report gives examples of how other countries have used each of these.

The objectives of this study are to both illustrate the importance of migration and remittances for Kosovo and present a list of policies tested elsewhere that the Kosovan authorities might find useful. The study does not prescribe specific policies and instruments for the country; it simply puts forward alternatives for consideration if the authorities wish to more effectively link migration to development.

The study makes it clear that, first and foremost, Kosovo needs a vision of the role migration should play in its development strategy and an institutional framework to realize its vision. In addition, it will need to define policy priorities for migration and identify instruments to put those policies into effect. Given Kosovo's circumstances, measures to facilitate remittance transfers and reduce their cost should be a priority. Also, given the large and growing number of migrants, providing and promoting protection of their rights should also be given priority. Improving economic conditions and providing information on investment opportunities could lead to more migrants returning and investing at home. Finally, given Kosovo's demographics and high unemployment, if the authorities wish to promote migration they need to expend more effort on managing the process, for instance, by designing policies at each stage of the process prior to migration, (pre-decision making, pre-employment and pre-departure). In this context, investing in building up technical skills of potential migrants would also be desirable so that they have better employment opportunities.



## INTRODUCTION

1. Kosovo has one of the largest international migration flows in the world. Much emigration has been for economic reasons and to escape armed conflict in the late 1990s; resolution of the conflict does not appear to have offered migrants enough incentive to return. Even though migration slowed with the global economic crisis, a reported 3.5 percent of the working population aged 15 and above have expressed interest in emigrating in the next 12 months.

2. Migration and the resulting remittances have been a safety valve for many Kosovans, ensuring their livelihoods in a country that has the highest unemployment and poverty rates in Europe. Remittances are the largest source of external financing for Kosovo. Even though between 2004 and 2010 their share of GDP fell from 17.5 percent to below 13 percent, it is still high by regional and global standards.

3. Despite the significance of migration to Kosovo's economic and social landscape, few if any public policies are designed to maximize its contribution to economic development. In 2009 the Government of Kosovo adopted a National Strategy and Action Plan on Migration for 2009–12, but it deals primarily with irregular migration and administration of legal migration. No government document of any kind contains policies related to the economic aspects of migration.

4. The first objective of this study is to illustrate the importance of migration and remittances for Kosovo drawing on data from recent surveys. The second is to identify policies implemented in other countries that the Kosovan authorities might find useful for maximizing the benefits from its large migrant population. The study does not specify policies the Kosovan authorities should adopt; instead, it sets out policies and instruments the authorities could consider if they wish to more tightly link migration to development.

5. The study therefore has two parts. The first describes migration and remittances trends in Kosovo and links them to labor outcomes, poverty, and investment. The second presents migration policies other countries have introduced, including some countries that are, like Kosovo, small, postconflict, developing countries with a large diaspora in developed countries.

## I. MIGRATION AND REMITTANCES IN KOSOVO

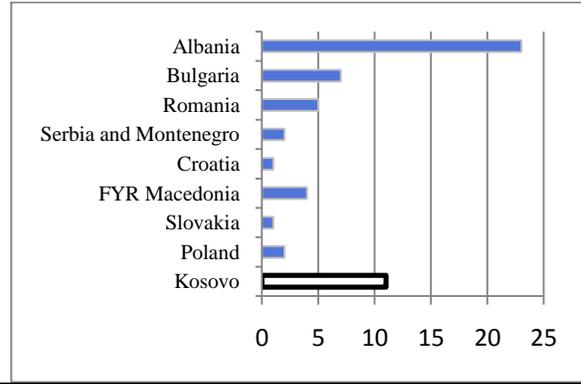
### Kosovo's Migration Trends

6. Kosovo has one of the highest emigration rates in Eastern Europe (Figure 1). According to the Migration Survey 2009 (World Bank 2010), one of every four households has at least one member living outside Kosovo.<sup>1</sup> The emigration rate for Kosovo does not show net emigration because immigrants are not subtracted; however, net emigration does not differ much from gross because most immigrants to Kosovo are temporary residents who return home once their assignment is completed.

7. Moreover, interest in migrating is high. About 2.1 percent of those surveyed stated that they are likely to migrate within the next five years (though self-reported data on intention to migrate often overestimate future flows and there is often very small correlation between intended and actual migration<sup>2</sup>). In 2008 about 0.6 percent of the working population became emigrants. Even in 2007, when emigration peaked, only about 11,000 Kosovans left (about 1 percent of the working population).

8. Rural areas, where 63 percent of the population lives, contribute 73 percent of migrants (Figure 2). Regional differences are not very large; the largest number of migrants originates in the rural areas of Prishtina and Prizren.<sup>3</sup> About 25 percent of current migrants originate in Prishtina. People in the region, which includes the capital city, Prishtina, may include some who have moved from other parts of Kosovo to Prishtina before migrating beyond Kosovo. This interim step of internal migration has been observed in other countries.

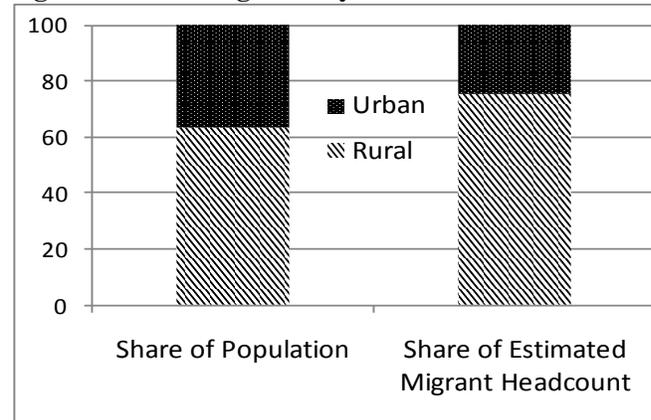
**Figure 1. Net Emigration in Western Europe, 1983–2003**



Source: National statistical offices; Kosovo Migration Survey 2009.

Note: Kosovo data do not include immigration. Data for Kosovo refer to 1989–2009 period, while for other countries, the cited period is 1983–2003.

**Figure 2. Total Migrants by Area**



Source: Migration Survey 2009.

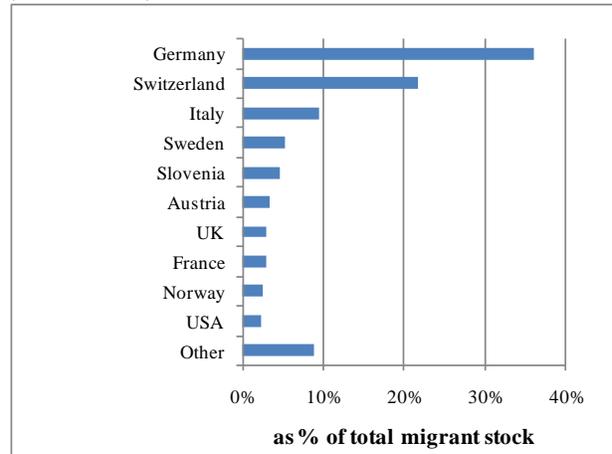
<sup>1</sup> The Migration Survey was conducted between April and June 2009; 2,024 households responded. The details are presented in the Kosovo Country Economic Memorandum 2010 (World Bank, 2010).

<sup>2</sup> For example, in recent Gallup surveys, some of the highest rates of intentions to migrate have been in low-income countries with relatively low rates of emigration.

<sup>3</sup> Because the country is small, the discussion of regional differences will not be extensive. The two regions providing the most migrants are rural Peje and Prizren, where the share of the migrant population is 16 to 17 percent, almost 1.5 times the national average of 11.4 percent.

9. Traditionally almost 60 percent of migrants from Kosovo have gone to Germany and Switzerland. The number of Kosovan migrants there has not changed significantly since 2005. However, other European countries have also become destinations (Figure 3). Compared to 2005, in 2009 10 percent more migrants headed to other destinations in Europe, especially Italy (for the same pattern, see also UNDP 2010). This trend suggests that Kosovans are building networks in other European countries, which contributes to further diversification. Destination countries are similar to those of neighboring Balkan countries.

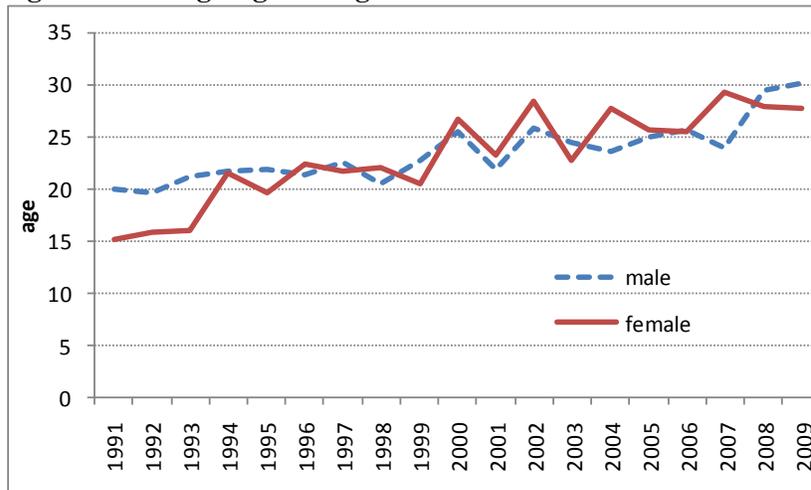
**Figure 3. Share of Migrants by Destination (1959–2009)**



Source: Migration Survey 2009 (World Bank 2010).

Average migrant age has been rising since the early 1990s, which it was 19; by 2009 it was 29 (Figure 4). This is probably because during the war years many of those emigrating were young political refugees (ESI 2006).<sup>4</sup> Since the conflict subsided in 1999, parents and older family members have migrated to be reunited with those earlier emigrants.<sup>5</sup>

**Figure 4. Average Age of Migrants**



Source: Migration Survey 2009 (World Bank 2010).

10. This shift in the age of migrants may also have been driven in part by the migration policies of destination countries. For example, Germany introduced a reunion scheme allowing family members of migrants in Germany but restricting single job-seekers.<sup>6</sup> A similar age trend has been observed in Albania

<sup>4</sup> Young people migrating or displaced as refugees due to conflict is common to many other conflict countries. In war time, parents typically send their children first to secure their safety (see Boyden and de Berry 2005, and Hart, 2008).

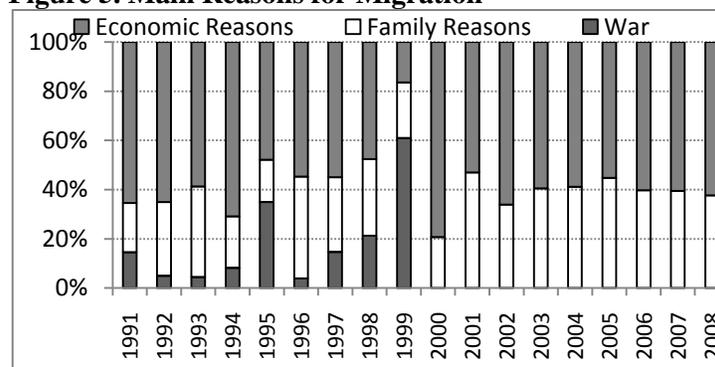
<sup>5</sup> See discussion on reasons for migration, p. 10, and Figure 1.7.

<sup>6</sup> A new German law in 1990/91 regulated immigration and the legal status of immigrants under the family reunion scheme, replacing various Laender regulations and the previously considerable discretion of foreign authorities.

(Azzari & Carletto 2009). Since 2000 the average age has been slightly higher for women migrants than for men. Earlier, from 1991 to 1993, women migrants were three to five years younger.

11. The key reason for leaving Kosovo is jobs, though previously war was a major cause of migration (IASCI 2011, UNDP 2010). Since the war ended migration for family reasons (such as marriage) has been rising. A significant drop in migration in 2008 partly reflecting the global economic slowdown that began late that year.<sup>7</sup> There is some evidence that since the beginning of 2009 the pace of migration for job reasons may have recovered to 2007 levels. According to the 2010 UNDP survey, 43 percent of migrants left Kosovo for economic reasons.

**Figure 5. Main Reasons for Migration**

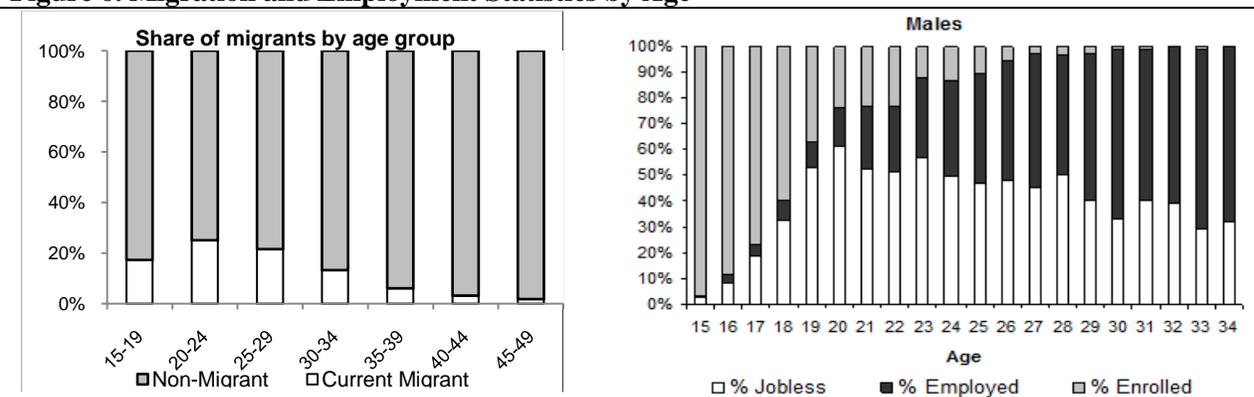


Source: LFS (World Bank 2008).

Note: Though not shown in this figure, the survey itself also covers those who emigrated before 1991 and in the first half of 2009.

12. Indeed, migrants come from the age group most likely to be unemployed. More than 90 percent are aged 20 to 35, which corresponds to the age group with higher unemployment (Figure 6). While this correlation does not imply a causal relationship between age, unemployment and migration, it does show that a significant part of Kosovo's prime-age work force is leaving the country.

**Figure 6. Migration and Employment Statistics by Age**



Sources: Labor Force Survey (Statistics Office of Kosovo 2008) and Migration Survey 2009 (World Bank 2010).

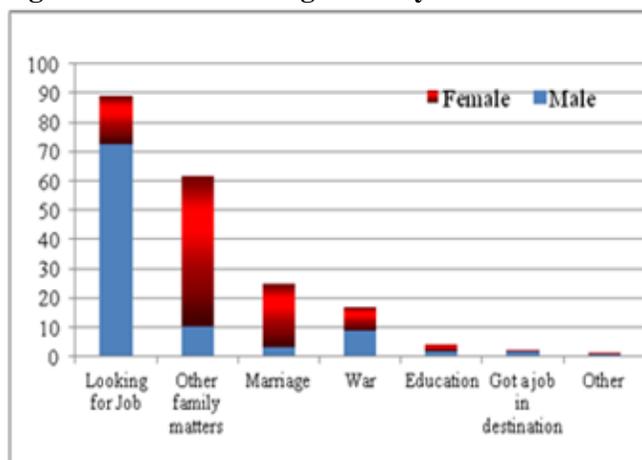
Note: "Jobless" includes those who are idle (working age population not looking for a job and not in school) and those who are looking for a job; "% Enrolled" refers to enrollment in any level of formal education.

Further, it guaranteed return to Germany for foreigners with permanent residence status (Borkert and Bosswick 2007).

<sup>7</sup> The European economies where most Kosovan migrants go were particularly hard-hit by the crisis. The recession in some countries carried on through 2010.

13. However, since very few women migrate for jobs, migration is doing little to alleviate the high female unemployment rate. Only 35 percent of migrants are female and most leave for reasons like marriage or family reunification (Figure 7). It appears that the low female participation in the labor market and their lack of skills are partly due to social and cultural norms biased against women working outside the house (World Bank 2009d). Most women in Kosovo work without any formal contract, and more women than men were fired between 2006 and 2007. The Kosovo Country Economic Memorandum (World Bank 2010) discusses this issue in detail.

**Figure 7. Reason for Migration by Gender**



Sources: Estimates based on Migration Survey 2009 (World Bank 2010).

### Migration and the Labor Market

14. International migration can have major effects, static and dynamic, on domestic labor markets by affecting (a) the labor market participation of those left behind, (b) the probability of employment of returned migrants based on skills or information gained while abroad, and (c) the demand for labor due to remittances. The following section describes how migration affects several aspects of Kosovo’s labor market, including participation, wages, and skill development.

15. Households with migrants participate less in the labor market than households without. Labor force participation<sup>8</sup> by households with migrants is 45 percent, 14 percentage points lower than households that do not have migrants (59 percent). And the rate of those 15 and older who have not worked for 6 months or more is almost twice as high for households that have migrants than for those without. The lower rates may be explained by the fact that typically the most able members of a household migrate. Hence, the heads of households receiving remittances are more likely to fall into a category that has less chance of finding employment in Kosovo: female, older, or living in a rural area.<sup>9</sup> Lower participation may also be due to the higher reservation wage for individuals who receive remittances. The literature contains offers ample evidence of remittances increasing the reservation wage, but additional analysis is needed to confirm whether this is true of Kosovo. Some results of the Migration Survey (World Bank 2010) actually point in the opposite direction: for example, the same share (14 percent) of inactive individuals, i.e. people who have given up on seeking employment, with and without a migrant connection said they would be willing to work.

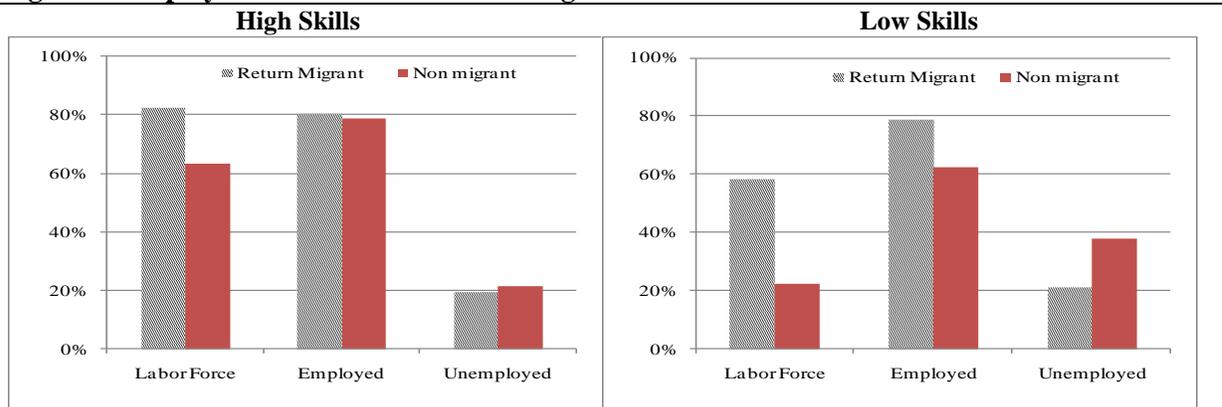
16. Having migrated is correlated with a perception of better employment prospects upon return to Kosovo: 43 percent of migrants surveyed (World Bank 2010) who had returned reported that migration had improved their prospect of finding a job in Kosovo, and 10–15 percent reported that their migration experiences had given them ideas for starting a business in Kosovo or promoted partnering with businesses in the country to which they had migrated.

<sup>8</sup> “Total working age population” is the number of individuals aged between 15 and 65, and the “total labor force” includes those within this age group who are either working or looking for a job. “Not worked in last 6 months” refers to the percentage of the total labor force seeking work but without jobs. “Employment rate” is the share of the population of working age who has jobs.

<sup>9</sup> Rural areas and women have higher unemployment rates in Kosovo (World Bank 2009d).

17. Employment data confirm this perception: The participation (activity) and employment rates of returning migrants are higher at all skill levels (Figure 8) than for those who never migrated. Returning migrants will continue to bring to Kosovo experience and knowledge obtained abroad, as evidenced by their improved education. Unfortunately, a World Bank labor market study (2009d) found that overall labor demand in Kosovo is very low and the country may not be able to absorb educated and experienced returning migrants. On the other hand, recently some firms have claimed that the lack of skilled workers is a serious problem, highlighting the skills mismatch in the domestic labor market (Forum 2015, 2007; Business Environment Enterprise Performance Survey (BEEPS) 2009). Low demand and lack of skills are the most important causes of high unemployment in Kosovo. Increasing demand should accelerate the return of migrants.

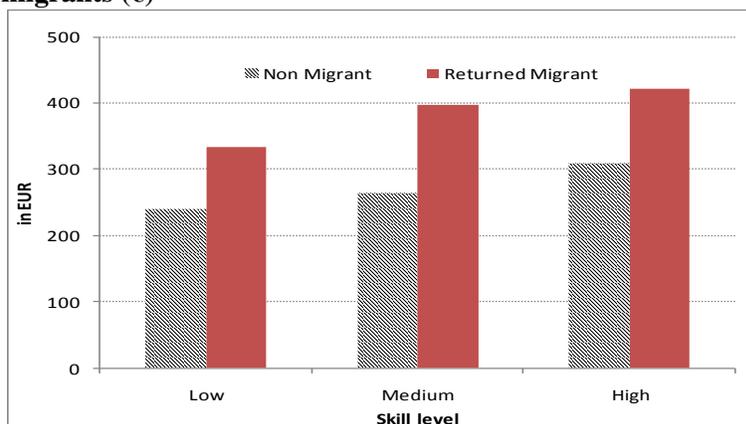
**Figure 8. Employment Rate for Returned Migrants**



Source: Migration Survey 2009 (World Bank 2010).

18. Returned migrants seem to earn slightly higher wages than non-migrants (Figure 9)<sup>10</sup> at all education levels. This may be because returnees have different characteristics not captured by the survey, not necessarily because they gained education or knowledge abroad. Such characteristics could be, for example, greater motivation to work or entrepreneurial or leadership skills.

**Figure 9. Monthly Wages of Returned Migrants and Non-migrants (€)**

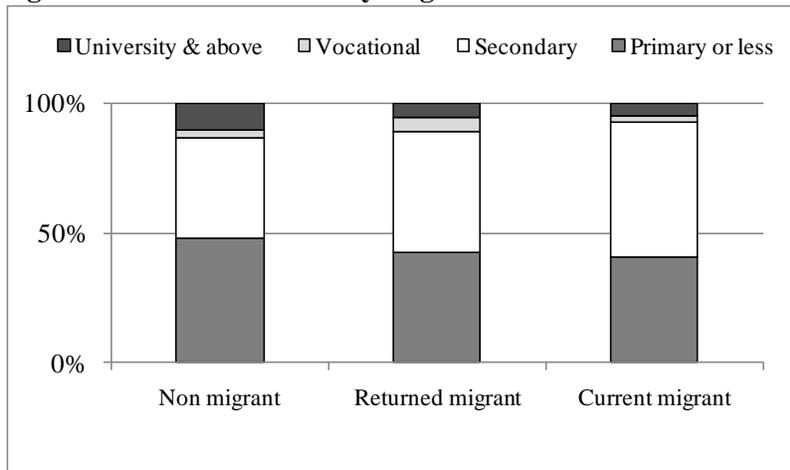


Source: Migration Survey 2009 (World Bank 2010).

<sup>10</sup> Skill levels are categorized by type of occupation: high skills are needed by professions and management, such as doctors, managers, or scientists; middle-skilled jobs are technical, clerical, or cashier; low skilled are workers in agriculture, mining, machine operation, driving, etc.

19. In terms of Kosovo’s human capital, so far the type of migration that Kosovo has experienced cannot be considered a “brain drain”<sup>11</sup> because 92 percent of migrants have no more than secondary education (Figure 10); only 5 percent had a bachelor’s degree when they left Kosovo. However, given the high rates of unemployment for youth<sup>12</sup> (aged 15–24) in the country (72%), which are even higher for more skilled youth, in the future brain drain might be expected to become a bigger problem.

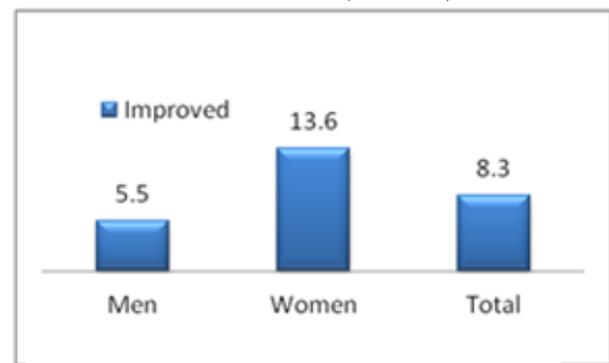
**Figure 10. Education Level by Migrant Status**



Source: Migration Survey 2009 (World Bank 2010).

20. There is some evidence of a brain gain in Kosovo. Among returned migrants, those in highly skilled occupations especially have advanced their education and are contributing to Kosovo’s labor market. Of those in highly skilled occupations, 25 percent gained more education, as did 10 percent in medium-skilled occupations and 6 percent in low- skilled occupations. Of all migrants who returned, 8 percent advanced their education while abroad, particularly women (Figure 11).

**Figure 11. Change in Migrant Educational Attainment While Abroad (Percent)\***



Source: Staff estimates; World Bank 2010.

\* Does not include students.

21. Returned migrants are working in more skilled jobs than current migrants, suggesting a skills brain gain. This may be due to a skill mismatch in places where they migrated. These migrants may have gained skill abroad but decided to return to Kosovo rather than accepting lower- skilled work elsewhere.

<sup>11</sup> Brain drain is the emigration of highly skilled or qualified people. More broadly, it encompasses those who left after achieving a certain level of schooling, such as completing secondary school or higher education. (If the migrants gained further education abroad, before returning home, that would be considered brain gain.)

<sup>12</sup> Youth refers to individuals aged 15 to 24 (World Bank, 2008b).

### Box 1. How Migration Can Enhance Human Capital

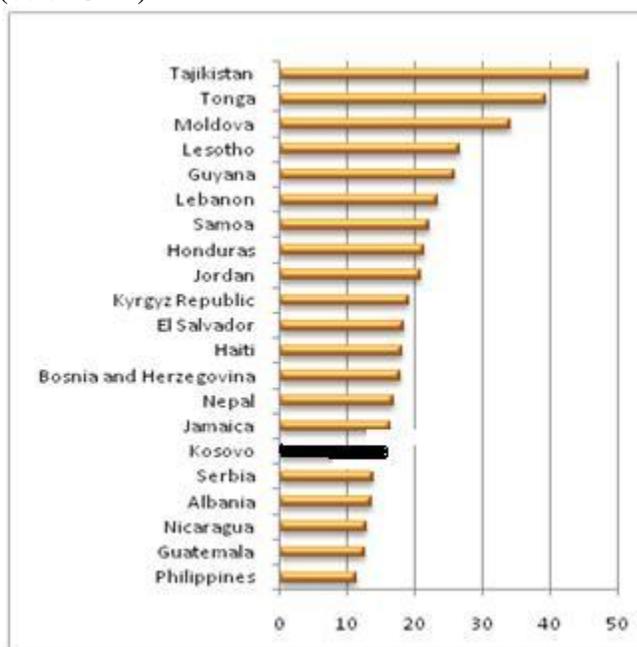
The role of migration in building up capacity and skills should not be underestimated. Stark, Helmenstein, and Prskawetz (1997) suggest that the hope of eventually migrating might provide a powerful incentive for people to study more, and since not all prospective migrants do migrate, a country can benefit from brain gain. Furthermore, migration can itself be motivated by the desire to acquire skills and education abroad; 3.2 percent of migrants acquire at least a bachelor's degree abroad and as many as 10 percent improved their completed education level from primary to secondary or from secondary to vocational. If these migrants return, Kosovo could experience brain gain.

### Remittances in Kosovo

22. Remittances are the most important external source of financing for Kosovo's economy and people. In many transition countries, remittances are a major source of external financing (Figure 12). For poorer transition countries, they are the largest source and cushion against economic and political turbulence during the transition period (Mansoor and Quillin 2006). In Kosovo remittances, the largest source of external financing, were equivalent to 17.5 percent of GDP in 2004; they fell to below 13 percent of GDP in 2010 but were still high by regional and global standards. For near neighbors Moldova, Bosnia and Herzegovina, and Albania remittances are also a significant share of GDP.

23. Recorded remittances have surged since the late 1990s, growing about 270 percent between 2000 and 2004. The Migration Survey shows Western Union to be the main vehicle for transferring remittances to Kosovo, followed by remittances hand-carried back to Kosovo by relatives and friends. The official balance of payments figure for remittances is an underestimation, since it may not be fully capturing informal flows. Improvements in data collection methodology in recent years, such as use of estimation models for informal flows, have helped capture remittance flows better, but the large errors and omissions category in balance of payments reports might include unrecorded remittances.

Figure 12. Top 20 Remittance-Receiving Countries (% of GDP)



Source: IMF Balance of Payments Statistics 2008.

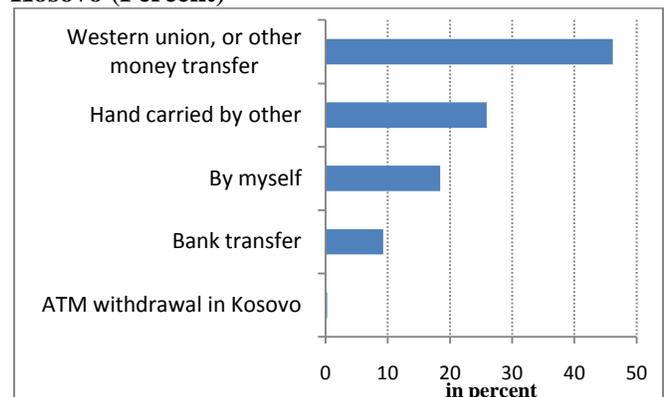
Table 1. External Sources of Financing for Kosovo (Percent of GDP)

	2004	2005	2006	2007	2008	2009
<b>Remittances</b>	<b>12.2</b>	<b>13.9</b>	<b>15.0</b>	<b>15.1</b>	<b>13.9</b>	<b>12.9</b>
Foreign direct investment	1.5	3.6	9.3	12.6	8.9	7.8
Exports (of goods)	2.2	2.3	3.9	5.2	5.7	4.2
Donor support	11.5	12.2	10.2	8.7	7.5	8.6
Errors and Omissions	6.2	7.8	8.8	6.8	3.2	6.9
GDP (€, thousands)	2,928	3,005	3,118	3,411	3,849	3,843

Source: IMF and World Bank estimates.

24. Because less than 10 percent of remittances are transferred through banks, they do not directly contribute to development of the banking sector (Figure 13). Almost half of remittances come via private businesses, such as Western Union, though often that is the most expensive method of transferring funds. If more remittances came through bank transfers, they would help expand the deposit base of banks, which in turn could expand credit and might motivate people to use more bank services.

**Figure 13. How Remittances Are Transferred in Kosovo (Percent)**



Source: Migration Survey 2009 (World Bank 2010).

25. The high transfer fees charged by local banks are probably one reason for the low use of bank transfers; they are much higher in Kosovo than elsewhere in the region (Table 2). Some of the leading banks have a set fee for transfers up to a certain amount, which means sending small amounts (as is common) has a high relative cost. For example, the fee for receiving €100 via bank transfer is €5—5 percent of the value of the transaction—but the fee for receiving €500 amounts to just 2 percent of the value. Transfer fees in the rest of the region range from zero in FYR Macedonia to not more than 4 percent for a €100 transaction and 0.5 percent for a €500 transaction in the other countries. Lower bank fees and more remittances flowing through the banking sector would increase both the deposit base and revenues from transfer fees. For example, if most remittances (e.g., €500 million) came through banks and fees were reduced to an average of about 1 percent, banks would earn €5 million in transfer fees alone (more than a fifth of total bank profits in 2009). However, to stimulate a substantial shift to the use of banks as a remittance channel, expansion of bank branch networks and increased financial literacy would be necessary.

**Table 2. Bank Fees for Transfers from Abroad (€)**

	Fee for receiving €100	Fee for receiving €500
Kosovo	5	10
Albania*		7
BiH	5	5
Croatia	1	1
FYR Macedonia**	0	0
Montenegro	2	2.5
Serbia***	0	0

Source: World Bank staff estimates.

\* Several banks have introduced joint accounts with Greek and Italian banks and allow transfers free of charge

\*\* If funds are kept on the account for a set period (7 to 30 days).

\*\*\* If funds are kept in the account for 30 days; otherwise the fee is €2.

26. There are discrepancies in the reports of amounts remitted. The annual Household Budget Survey (HBS) asks about remittances received from abroad in the previous month.<sup>13</sup> The Migration Survey found

<sup>13</sup> If remittances are sent intermittently, some will not be captured in the HBS.

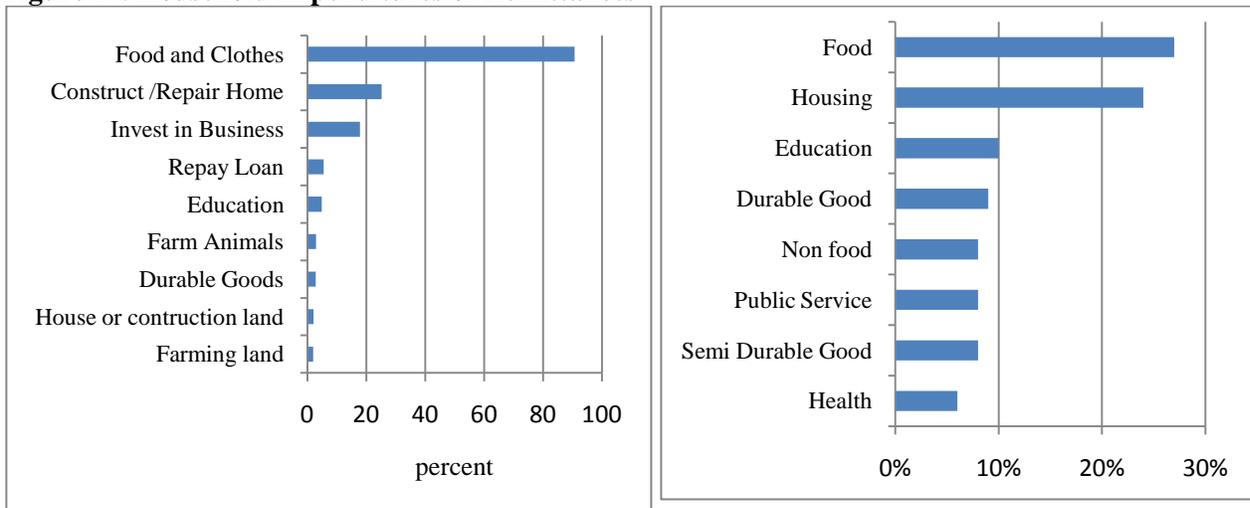
the national monthly average to be €320<sup>14</sup> but the HBS found it to be €291. However, the Migration Survey captures only €216 million in remittances, less than half the \$506 million balance of payments data estimated for 2009, which would be about €500 per month, per household.

### Remittances and Household Expenditures

27. The monthly amount of remittances per household is close to the monthly average gross salary in Kosovo, which was estimated to be €340 in 2009 and in net terms is lower than average remittances per household. According to the UN Development Programme (UNDP, 2010), remittances contribute about 40 percent to the total monthly income of recipient households.

28. The bulk of remittances are used for immediate consumption. Asked to name the three main uses of remittances, over 90 percent of households mention food and clothing<sup>15</sup>; 18 percent invest part of remittances in business; and 25 percent use some part to repair or build homes (Figure 14, left). The UNDP study (2010) generally confirms these expenditure patterns (Figure 14, right).

**Figure 14. Household Expenditures of Remittances\***



Source: World Bank staff estimates World Bank 2010 (left) and UNDP 2010 (right).

\* The World Bank survey asked “what are the top three things (ranked by importance) households do with the cash or money transfer that they receive from abroad”.

29. Households receiving remittances spend proportionately more on transport and communication than other households, but they spend less on food, taxes, pensions, and rent. There are no significant differences in spending on other consumer goods, education, or investment.<sup>16</sup> A study in Albania (Castaldo and Reilly 2007) found that the budget share for utilities and non-food items increased when households receive remittances. Its authors argue that remittances increase the shares households spend on durable goods and utilities and decrease the share spent on food.

<sup>14</sup> The Migration Survey (World Bank 2010) data show huge variations in remittances flows. The median amount per household per year is €1,300 and the average is €3,850, which suggests implies that some households were receiving substantial amounts.

<sup>15</sup> Spending categories are self-reported. Each household could list 3 categories.

<sup>16</sup> Table in Annex.

30. Remittances have helped households to purchase basic necessities and engage in economic activity. The Migration Survey itself does not provide conclusive information answer on the latter, but other surveys support this claim. There are no major differences between households that receive remittances and those that do not in terms of such assets as land and quality of the dwellings.

31. Another way to check the relationship of remittances to investment is to look at whether households that have migrants or returned migrants are more likely to participate in self-employment activities. The preliminary findings from the Migration Survey (World Bank 2010) suggest that receiving remittances increases the probability that an individual will become self-employed, potentially leading to investment.<sup>17</sup> Another recent survey-based study showed that 25 percent of 500 enterprises in Kosovo were created in part using financial resources obtained during migration (IASCI 2010). A DFID report<sup>18</sup> also gives evidence that funding from the diaspora has been critical in starting a business.<sup>19</sup>

## II. MIGRATION AND ECONOMIC DEVELOPMENT: LESSONS FROM OTHER COUNTRIES

32. This chapter synthesizes policies other countries have adopted to use migration to promote economic development; there are several policy areas where migration and development can be linked. It then discusses policy instruments that can be used to tighten the link by showing examples of how countries have used these instruments. This overview of international experiences on migration and development should serve as a reference for the Kosovan authorities in considering policies that might be beneficial.

### Migration as a Design Element in Development Policy

33. In countries from which there is substantial migration, integrating migration-related policies into national development strategies can contribute to economic and social development. The relationships between migration and development have been a topic of significant scholarly discussion. To some, the relationship is causal, but of these some these think migration is a byproduct of economic developments, others think the opposite, still others think the causality goes both ways, and a final perspective is that migration is intrinsic to the development of a society—a building component of economic development. For example, Hain de Haas argues that “migration is not an independent variable explaining change, but is an endogenous variable, an integral part of change itself in the same degree as it may enable further change” (de Haas 2008).

34. Whichever view is taken, there is no doubt that public policies strengthen the positive effects of migration on development. Policies can target each stage in the migration process: before migrants leave the country, during their stay abroad, and upon their return home. The potential benefits of such policies would have spillover effects on the whole economy, not just on migrants and their families.

35.

36. The situation of migrants—qualifications, legal and employment status—when they enter the host country greatly determines their professional success there, which in turn determines how much impact

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<sup>17</sup> A matched HBS–Migration Survey subsample of 700 households was surveyed to see whether someone in a household was or was not likely to be self-employed.

<sup>18</sup> See DfID 2009.

<sup>19</sup> Studies in Albania have shown that returned migrants who had been away longer are more likely to participate in non-farm self-employed activities (Kilic et al., 2007).

they can have when they return home. Migrants with limited or no legal status abroad suffer from lack of, or at best limited, employment opportunity. For example, those who leave home without formal working permits<sup>20</sup> are more likely to earn less income, face more difficulties in finding jobs, be subject to social stereotyping, and face limited upward mobility opportunities, all of which reduce their ability to remit money home and obtain new skills.

37. The economic well-being of migrants is also determined by the skills they bring and by how informed they are about employment opportunities in the destination country. Those who have better skills and know more about their job prospects earn more and are more connected to their home country. These migrants are more likely to use the financial sector for money transfers and savings, which in turn motivate their family members to use such services. Figure 15 illustrates the economic strength of migrants in terms of legal status and skill attainment; it demonstrates that skilled migrants with legalized status are more secure economically.

38. During their stay abroad, migrants continue to have economic, cultural, and political relationships with their home country. The main economic activities are remitting money, consuming home country products, investing in the home country (mostly in housing construction), and engaging in philanthropy there. The magnitude of these activities depends primarily on the economic power of the migrants but also on the incentives to engage in such activities and the ease of undertaking them. For example, migrants are more likely to remit funds if transaction costs are low, or to set up a business if the business environment in their home country is favorable.

39. Finally, the return of migrants depends on economic, political, and social circumstances in the home country. When migrants decide to return, they often bring savings; how they use these savings depends on a number of policies, such as ease of doing business and availability of information about investment opportunities. Moreover, migrants can bring new skills and knowledge that can build up the human capital of the home country.

40. Policies designed to maximize the impact of migration on development in the home country bring benefits to the host country as well. The latter collects taxes and its banks earn income from legal migrants. The host country also benefits when migrant skills are used appropriately.

### **Policies for Increasing the Impact of Migration on Development**

41. This section presents several policies that international experience has proven to deliver successful results. The policies are grouped by stage of the migration process (Table 3).

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<sup>20</sup> It should be acknowledged that for some unskilled migrants, undocumented migration may be the only option for going abroad.

**Table 3. Policies by Migration Stage**

<i>Before migration</i>	<i>During the stay abroad</i>	<i>Upon return home</i>
Negotiating and establishing labor migration programs	Bilateral agreements on protecting labor rights	Providing information on employment opportunities at home
Facilitating emigration (e.g., information on employment opportunities)	Reducing transaction costs for remittances	Establishing an environment conducive to investment
Technical education and skill training for potential migrants	Providing financial access and literacy training to families of migrants (remittance receivers)	Offering financial incentives to migrants to return and stay home
Advisory services (on labor rights, financial management, etc.)	Providing incentives to financial institutions (to introduce new technologies, expand branch coverage, etc.) Promoting migrant trade and tourism	

42. Policies that help *prepare citizens for migration* focus on facilitating the emigration process and building the skills of potential migrants. Some migrant-sending countries establish programs in cooperation with main destination countries in order to ensure that emigrants have adequate legal status. At the same time, sending countries prepare their citizens for easier access to the job market abroad by offering training in technical skills and advice about, for example, labor rights, financial management, and health insurance. While negotiating labor migration agreements with partner countries can bring valuable benefits to migrants, such as regulated stay abroad, protection or rights, and better social security, international experience has shown that most sending countries focus on unilateral policies to prepare better their citizens before they migrate.

43. What types of policies migrant sending countries establish depends very much on the domestic context: where migration occurs mostly regularly or irregularly, how aware are prospective migrants of the conditions in the country of destination, or what are the characteristics of potential migrants (skilled or non-skilled). Global practice from migrant-sending countries shows that policies for preparing citizens to migrate relate to the following three aspects: (i) pre-decision making, (ii) pre-employment, and (iii) pre-departure.

44. The policy objective at the pre-decision making stage is to help citizens make an informed decision whether they should migrate or not. The need for such policy depends on what are the migration trends in the countries, is migration concentrated to few places with regular outflows or are prospective migrants considering moving to countries for which they would have little information on living and social conditions. In any case, increasing available information to prospective migrants is beneficial.

45. The Philippines, for example, have established a Pre-employment Orientation Seminar with the purpose of raising awareness, particularly among the youth, about the opportunities and risks of migration. In addition, some forms of this type of awareness rising has been incorporated in the educational system (in secondary schools). Other measures, such as public information campaigns (using radio, cartoons, and newspapers) are targeted more broadly towards all age groups of prospective migrants.

46. The Sri Lankan government has also developed various public information campaigns aiming to increase the knowledge of prospective migrants about going abroad. For example, its Bureau of Foreign employment has focused on informing migrants of hazards of finding job placement through private

channels. Then, it broadcasts a 2-hour radio program every Sunday that invites current and past migrants to share their experiences.

47. Pre-employment policies aim to provide information about seeking and obtaining employment abroad to those who have made up their mind to migrate. The focus at the pre-employment stage is to facilitate the employment process by developing and/or regulating the recruitment industry, engaging the state institutions in finding jobs abroad (including through bilateral agreements), and providing various types of skill training.

48. Lastly, the role of the state is also important at that the final stage of the process before migrating, i.e. at the pre-departure stage. The goal here is to provide all important information that future migrants will need to know concerning administrative issues (travel, visa, etc.), legal and social rights while abroad, health issues, and other. Equipping migrants with this knowledge is very important as it can greatly reduce the “transaction costs” of migrating, and more importantly enable citizens to understand their rights while abroad.

49. Countries with long tradition of migration offer plenty examples of how the above objectives can be achieved. The Philippines have lots of experience in this area, and government places very strong emphasis on protecting migrant rights, including by educating migrants on this before they leave the country. A Pre-Departure Orientation Seminar (PDOS) is compulsory for a future migrant to obtain travel clearance. This seminar of general nature (not country specific) and provides information on employment contracts, travel tips, cultural issues and other. Additional information is provided to migrants going to risky places, e.g. to conflict or post conflict states. The curriculum and the materials for this seminar are developed by the Overseas Worker Welfare Administration, but the actual training is mostly done by the recruitment agencies. Then, for certain vulnerable groups, such as domestic workers, non-governmental organizations are often responsible for the training.

50. In addition to the PDOS, the Philippine institutions offer other country/sector specific pre-departure trainings. For example, in accordance with a memorandum of understanding signed with the Korea, a program on ‘best practice’ in Occupational Safety and Health Education for Migrant Workers<sup>21</sup> was developed. The program to equip Philippine workers with knowledge on this topic related to Korean laws and practice. During an 18 month period in 2005-2007, 13,652 Korea-bound Filipino workers attended this program. Then, another program was developed for workers going to countries with high HIV/AIDS risk with the purpose of educating migrants on HIV/AIDS prevention.

51. Sri Lanka has also developed a comprehensive pre-departure training program. The program consists of trainings to migrants, and families who are leaving the country. The training is typically a 12 day workshop to provide basic work related skills. On the 13<sup>th</sup> day, migrants’ families are invited to participate in a whole day orientation that discusses issues of importance to both the migrant and the family. The training is administered by the Bureau of Foreign Employment and there are 30 training centers providing assistance to 50,000 workers every year.

52. The government of Bangladesh also has some experience in developing pre-departure training programs, though not as developed as those of the Philippines and Sri Lanka. Several types of trainings are offered to migrants before departure, typically with assistance from non-governmental and international organizations. The focus of these trainings is on promoting migrant labor rights.

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<sup>21</sup> Fos, E. “Migration and Protection of Migrants: Philippine Experience” Department of Foreign Affairs. Republic of the Philippines

53. One of the main policy areas of focus *while migrants are abroad* is on promoting remittance transfers as this is the strongest link between the migrant and the host country during the stay abroad. However, other aspects during migration are also important, such as supporting migrants abroad through embassies, offering health and/or pension insurance. Finally, the state often plays a role in dealing with emergency cases.

54. In terms of remittance transfers, as a first step, policy should be directed to improving the money transfer market by reducing informality, increasing competition, and reducing costs. One reason for high costs and informality comes from the fact that in most developing countries governments stipulate that only banks are allowed to make foreign currency payments for remittance transfers. This means that rural areas tend to be neglected because bank branches are mostly in urban areas. When money transfers are not possible in remote areas, informal channels develop, typically run by small entrepreneurs. Allowing non-bank financial institutions, such as microfinance institutions (MFIs), to make remittance transfers would reduce informality, increase competition, and ultimately reduce costs. Reducing the cost of remittance transfers to rural areas is particularly important for Kosovo given that majority of migrants come from rural areas.

55. MFIs and credit unions have moved ahead in identifying untapped demand for banking services and in transforming remittance recipients into customers for other financial services. In Moldova, for example, more remittance flows go to families in rural areas where bank presence is restricted but savings and loan associations have deeper reach. However, these non-bank institutions are not allowed to reach out to recipients and migrants to offer remittance services. Similarly, in Kosovo majority of migrants come from rural areas where banks have limited access while MFIs have developed networks. Allowing these small MFIs to transfer remittances is of crucial importance not only for formalizing and lowering the costs of remittances but also for increasing access to financial services and improving financial literacy.

56. Turning MFIs and credit unions into remittance channels sometimes also requires support from the country where remittances originate. Linking banks in originating countries to MFIs in destination countries could be a win-win proposition for both. For example, with support from the Spanish government, Caxia Catalunya, a savings bank in Spain, has established agreements with banks and saving banks in several countries that allow people to send money at lowest cost from 1,500 cash points in Spain to branches of its 1,000 partners in Morocco, Senegal, Argentina, Bolivia, Colombia, Ecuador, Peru, Brazil, the Dominican Republic, Pakistan, China, Bulgaria, and Romania. The financial institutions on both sides have attracted new clients and increased their revenues from transaction fees; clients on both sides benefit from having savings accounts and a reliable means of money transfer.

## **Box 2. How Developed Countries Promote Remittance Transfers**

The experience of the United States and other countries in allowing migrants, regardless of legal status, to choose from several ways to remit is telling. The initiative of Wells Fargo in the United States to recognize the Mexican consular identification in allowing migrants to open accounts has increased banking access for more than half a million Mexicans. The experience of Indonesians remitting from South Korea, Singapore, and Hong Kong is similar: immigrants can open bank accounts regardless of legal status and enjoy access to other financial products as well as perhaps lower costs. This issue is particularly important because governments draw a line between business and migration policy: remittance service providers do not act as immigration and tax police but do comply with regulations on money transfers.

57. In recent years costs have been reduced largely by increased competition among money transfer operators (MTOs). In Latin America and the Caribbean costs have dropped substantially, as they have in other major remittance channels, such as from Russia to Central Asia and the South Caucasus and from

Europe to South East Asia and West Africa. One major challenge to competition in many parts of the world, however, is the existence of exclusive contracts between MTOs and agents in both origin and destination countries that restrict agents that represent one MTO from negotiating or contracting with another MTO for at least a five year period. They prevent many MTOs from entering a market. For example, there are fewer than five MTOs operating in Nigeria, partly because only banks are allowed to operate and these banks seek to secure a larger volume by dealing with one MTO. As a result three-quarters of payers work through just two MTOs.

58. Costs would also be decreased by more transparency (e.g., full disclosure of fees and charges); improving the environment for MTO competition (including monitoring the quality of service provided); encouraging small MTOs to participate; and introducing alternative means to transfer money, such as the Internet, debit cards, or mobile phone technology.

59. New technologies can be highly effective in lowering transaction costs, but all players in the market must engage in promoting them. In addition, recipients need increased financial education. Global surveys show that though nearly 30 percent of remittance recipients use debit or credit cards, 90 percent or more collect their remittances in cash. Educating people on how to adapt their financial practices by learning the benefits of a variety of financial payment instruments would increase their use.

60. A good example of this is the experience of the Jamaica National Building Society (JNBS). Through its subsidiary, JN Money Services, JNBS serves Jamaicans abroad by facilitating remittance services in Canada, the USA, and the UK. In partnership with USAID, JNBS chose to automate the process of sending and receiving money transfers using swipe card technology (card-reader machines known as point-of-sale terminals). As a result, it has attracted over 70,000 card users. Half of remittance recipients have been brought into the formal banking system, and 40 percent of those receive their remittances through a card, which is then used to make purchases at small businesses that accept debit cards. As a fringe benefit, the majority of the bank's small business clients also through increase their access to both credit and remittance-receiving customers. As a result, savings have increased considerably, not only through direct deposits to savings accounts but also because there is less cash in circulation and an increased use of electronic transactions.

61. In addition to offering incentives to non-bank financial institutions to reach out to remittance clients, large banks could be given incentives to transform remittance receivers into full-fledged consumers of banking services. Though banks typically account for the highest share of formal remittance transfers, often they have made no efforts to offer recipients access to other financial services, such as checking or savings accounts. They thus act primarily as retail cash machines rather than depository institutions—the bank transfers money but neither the sender nor the receiver has a bank account. This may partly be explained by the fact that banks earn very high revenue from these transfers, sometimes accounting for up to 20 percent of their total profit, and see no need to incentivize senders and receivers to open bank accounts for making transfers. Throughout Latin America and the Caribbean nearly 50 percent of formal remittance transfers are sent and collected in cash at a bank, and in Central Asia, Africa, South Caucasus, some Eastern European countries, and parts of South East Asia, where only postal services or credit unions provide some marginal substitution, this is true for nearly 100 percent. Given the large role of banks in formal remittance transfers, it is particularly important to give them incentives to move beyond simple cash payments and offer financial literacy programs and services to recipients.

62. Besides trying to facilitate remittance transfers, governments often place a large emphasis on protecting social rights of migrants during their stay abroad. Protection of migrant rights can be ensured through bilateral agreements with receiving countries, but most often migrant sending countries develop unilaterally policies to protect social rights of migrants. For example, Mexican government allows Mexican immigrants to continue contributing to their social security payments while abroad. In addition,

governments through consular offices or NGOs provide advice to migrant workers about their labor rights. For example, the female domestic or hospitality work is an activity in which protection of rights is necessary, given that there have been many cases of abuse and the authorities lack tools to verify whether labor standards are respected. In Costa Rica, several local NGOs carry out workshops on labor rights to migrant workers to assert their position regardless of their occupation or legal status.

63. Other policies supporting migrants abroad could include promoting trade and tourism or health and education services. About one-third of migrants visit their home countries once a year and 80 percent import home country goods, such as food products. Governments might promote tourism opportunities to visiting migrants or lower the cost of travel to encourage more frequent visits. In terms of health and education, policies could encourage the design of services for migrants, such as life insurance, medical insurance, body repatriation, and child care. The need for such products should not be underestimated. In Malaysia, for example, every year about 100 to 150 Bangladeshi workers die, from, e.g., sudden death, accidents, or fatal injuries on risky jobs.

64. Finally, *policies targeting returning migrants* mostly center on integrating them into the home economy, either as job seekers or investors. Usually such policies are general rather than migrant-specific, but some initiatives could target migrants in particular, such as engagement of diplomatic missions abroad in promoting employment and investment opportunities to the diaspora. Measures related to improving the business environment for employment and investment are beyond the focus of this study.

65. Moreover, governments often try to protect or strengthen the social rights that migrants have acquired while working abroad. This mostly refers to pension rights, i.e. to protection the pension contributions that migrants have made while working abroad. To address this issue, host countries typically try to conclude bilateral social security agreements with main countries of destination.

### **Implementing Migration-Related Policies**

66. This section reviews the instruments available to governments to implement policies discussed in the previous section. Among them are technical assistance, communication and outreach, creating funding facilities, partnerships with foreign governments and other entities, and capacity building. The discussion is supported by examples from countries that have successfully used the means discussed to build up the contribution of migration to their economic development.

#### ***Technical Assistance***

67. Technical assistance (TA) has proven to be particularly suitable in implementing some types of migration-related policies, having proved useful in policies promoting financial literacy and making remittance costs more transparent, though TA could of course be used for other migration-related policies.

68. There are numerous examples of TA being used to make more information available on the cost of remitting. The most global example is the World Bank's initiative to publish online the costs of remitting (<http://remittanceprices.worldbank.org>), an example that several governments have followed. The United Kingdom, France, Italy, the Netherlands, and Mexico, among others, have created websites reporting the costs of remitting to the main outbound corridors, relying on TA in data collection, design and dissemination. Another recent example is [www.sendmoneypacific.org](http://www.sendmoneypacific.org), a website funded by the Australian and New Zealand aid agencies on the cost of sending money from those countries to South Pacific island nations. The website provides information on locations, transfer methods, fees, total cost, speed of transfer, and payer outlet. This approach seeks to eliminate barriers to information, empower

migrants to make better financial decisions, and promote healthy competition among remittance service providers.

69. Strengthening financial literacy has been recognized as an important policy for promoting use of formal remittance channels, and there have been several cases where TA, financed by donors, has been used to implement it. For example, in cooperation with banks in Georgia and Azerbaijan the European Bank for Reconstruction and Development funded TA to provide financial advice to remittance receivers, with the objective of capturing a greater share of savings in the banking system. Though remittance recipients have been found to have a high capacity to save, few have bank accounts. Counseling was found to constitute an important first step to participation in formal financial institutions. The project looked to give remittance recipients basic knowledge (of finances, financial products, and who to contact) to help them decide which financial product best serves their financial situation. Out of 18,000 persons receiving TA, the project aimed for a 20 percent conversion rate from transactional to bank clients. In fact, nearly US\$4 million in new deposits were captured during the six-month project. As with websites on remittance costs, this instrument has been replicated in other countries (Orozco 2009).

### ***Communication and Outreach***

70. Communication and outreach can greatly facilitate migration-related policies. Countries with substantial migrant populations typically establish a separate agency for communication and outreach to the diaspora. How effective this is, of course, depends on the circumstances of the country, in particular the resources available, the institutional set up, and the degree of need for the information. The following sections inform of several examples of communication and outreach showing the organization set up as well as type of activities performed in this context.

71. For example, in the past 10 years many African countries, recognizing the importance of reaching out to emigrants, have chosen to institutionalize communication and outreach efforts; 4 have established migration ministries, 3 have created divisions in existing ministries (typically foreign affairs), and 7 have given a public official a mandate on dealing with members of the diaspora. The number of staff typically depends on the organizational structure (ministries have more staff); and the budget has varied from less than US\$100,000 (in 8 of the 14 countries) to almost US\$1 million (Table 4)<sup>22</sup>.

**Table 4. Institutions Managing Migration in Africa Countries**

Institutions in charge	Staff	Budget	Legal figure	Authority in charge
Ministries (4); divisions (3); no formal agency (7)	Over 50 (3); 10 to 50 (6); less than 10 or unspecified (5)	US\$500,000 to US\$1 million (3); US\$100,000 to US\$1 million (3); less than US\$100,000 (8)	Law (3); decree (1); none (10)	Minister (3); director (2); none (9)

*Source:* Orozco 2009, based on interviews with representatives of 14 African governments.

72. Communication and outreach typically take the form of workshops, policy dialogues, in-country visits, official meetings, and international conferences targeting the diaspora. The examples that follow illustrate the use and effect of such activities in Mexico, Morocco, and Armenia.

<sup>22</sup> It should be noted that a correlation does not necessarily exist between the funds allocated and the success in managing migration. Achieving results depends on many other factors in addition to the institutional set up for migration management.

### *The Institute of Mexicans Abroad*

73. The Institute of Mexicans Abroad (*Instituto de los Mexicanos en el Exterior*, IME), part of the Ministry of Foreign Affairs, is charged with handling the affairs of the Presidential Office for Mexican Community Affairs Abroad and the Program for Mexican Communities Abroad. The IME Consultative Board has 152 members, with representatives from both Mexico and the Mexican-American community in the United States. Its objectives include promotion of government policies that attend to the needs of Mexicans abroad, acting as the link between those communities and counterparts in Mexico, and supporting formation of leadership in migrant communities.

74. The staffing and budget for IME have evolved considerably since it was established more than two decades ago. It has since grown to a team of 15 who coordinate activities relating to education and liaison with migrant associations and other institutions, public and private, linked to migration. Though its annual budget amounts to less than US\$2 million, its mandate to liaison with consular offices and other government agencies has allowed it to leverage funds from those. The relationship with more than 30 consular offices in the United States and other countries has expanded IME's activities and reinforced its efforts to support Mexicans living abroad.

75. IME has been instrumental in arranging educational conferences to advance understanding of the programs and services the Mexican government offers to help improve the living standards of Mexicans abroad as well as to build up their home communities in Mexico. Moreover, it has given special attention to remittance channels. It sees engaging with respected community leaders from the financial sector in the U.S. as a key tool for reaching migrants and giving them the confidence to become members of the formal financial system (Orozco 2009). IME also promotes the "3 x 1 program"<sup>23</sup> of the Ministry of Social Development, which encourages migrants to donate to local projects. Any migrant who sends money to Mexico through the program registers with IME's organizational directory, which both helps to promote the program and makes the IME migrant directory more comprehensive.

### *The Moroccan Experience*

76. Morocco also has an effective outreach office. Its program has solid political support, a staff of more than 50, and a stable budget. Since 1990 the Moroccan government has courted the diaspora with new policies toward emigrants. The government attempts to engage migrants by facilitating their return for holidays and encouraging their investment in the country.

77. The main bodies involved in implementing the new emigration policies are the Hassan II Foundation for Moroccans Resident Abroad and the Ministry for Moroccans Residing Abroad. The purposes of the Hassan II Foundation are cultural preservation, through such means as Arabic language lessons, religious teachings, and cultural excursions; legal advice and social assistance for emigrants; encouraging investment in Morocco; and fostering good international relations.<sup>24</sup> Attached to the foundation is the Study of the Moroccan Community Resident Abroad whose purpose is to analyze the conditions and needs of the Moroccan diaspora.

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<sup>23</sup> 3x1 is a federally funded program on local development partnerships among migrant associations and state and local governments where for every dollar a migrant donates to a local project, a public institution provides an additional dollar for the project.

<sup>24</sup> <http://www.alwatan.ma/html/FHII/presentation.html>.

78. In 2008, after extensive consultations, Morocco created the High-Level Council for the Moroccan Community Abroad; its 37 members are formally appointed by King Mohammed VI. Also, the Consultative Council on Human Rights, established in 1994, advises the King on human rights issues, which are increasingly important. In 2003 a special commission on the human rights of emigrants was appointed, with representatives from emigrant communities.<sup>25</sup>

#### *The Armenian Ministry*

79. The Armenian diaspora, which outnumbered by a large margin the number of citizens actually living in the country, has a long history of engaging with Armenia, but only recently has the government set up an institution to reach out to its members: In 2008 the government set up a ministerial unit, staffing it with more than 50 public officials, including two deputy ministers, three advisors, and nine regional directors; it has a budget of US\$ 5 million.

80. The ministry has been entrusted with protecting Armenian migrant rights, identity, and interests in the homeland. Its outreach includes both cultural events and promoting investment partnerships. For the most part, however, it has given priority to outreach and communication rather than economic projects. For example, in 2010 the Ministry<sup>26</sup>: (i) sponsored visits of diaspora youth to Armenia; (ii) organized professional forums and scientific conferences, (iii) supported educational institutions and community organizations with Armenian literature.

#### *Experience Elsewhere*

81. Similar communication and outreach initiatives have emerged in other countries, sometimes supported by donor funding. One example is the collaboration between UNDP and the Sierra Leone Office of Diaspora Affairs in the Office of the President on a “Diaspora Support Project” to advise the government on how to strengthen its relationship with the diaspora. This project included such outreach activities as conferences and public relation campaigns aimed at emigrants. In the United States the objective was to create a network between the diaspora community and the government that would share information on socioeconomic developments in Sierra Leone, present the work of the Office of Diaspora Affairs, and encourage qualified emigrants to apply for positions in government.<sup>27</sup>

82. Elsewhere, outreach has been specifically targeted at promoting return migration—brain gain. For example, Colombia’s Department of Science, Technology, and Innovation created a website so that scientists and academics in Colombia and abroad could exchange information. It also has signed agreements with foreign governments for exchange programs that would allow scientists in Colombia to collaborate with Colombian scientists working abroad (e.g., through short scholarly visits). The objective has been to reinforce the relationship with the diaspora while promoting knowledge transfer.<sup>28</sup>

#### ***Funding***

83. Sometimes, migration-related policies require financial incentives to achieve their objective; in such cases, governments typically partner with donors. Funding facilities might, for instance, be loan, grant, or investment schemes to involve the diaspora in private development projects. While such

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<sup>25</sup> <http://www.focus-migration.de/Morocco.5987.0.html?&L=1>.

<sup>26</sup> [http://www.mindiaspora.am/en/Activities\\_2010](http://www.mindiaspora.am/en/Activities_2010).

<sup>27</sup> <http://www.sl.undp.org/projectoverview.htm>.

<sup>28</sup> *Source*: Departamento administrativo de ciencia, tecnología e innovación (Colciencias)

< <http://www.colciencias.gov.co/web/internacional/home>>.

programs are rare because the funding needs are so large, the World Bank, the African Development Bank, the International Fund for Agriculture Development, and the French Development Agency, among others, have set up funding facilities that target the diaspora, and in a few cases, governments have financed such facilities themselves.

84. One example is Albania's Brain Gain Program ([www.braingain.gov.al](http://www.braingain.gov.al)), which is partly financed by the UNDP. Its aim is to develop incentives and policy mechanisms to promote engagement of the Albanian diaspora in the scientific, administrative, and economic development of the country. The program, established in 2008 with a budget of €1 million, provides financial support to qualified returnees to work in Albania. It has established a database of students and academics abroad and has attracted over 150 people to return, 82 of them academics. It also plans to establish academic networks with those abroad.

85. The Rwandan Diaspora Mutual Fund (RDMF) was established in March 2009 through a collaboration between Rwandans abroad and the National Bank of Rwanda (BNR). It pools funds from expatriates to mobilize investment in their home country as a way to use remittances to promote national development. The fund, which is managed in partnership with the diaspora, finances projects for improving Rwanda's socioeconomic development. The BNR provides administrative and management support. The RDMF also plans to promote diaspora investment in treasury bonds and corporate securities.<sup>29</sup>

86. El Salvador illustrates another use of funding facilities. Its Multisectoral Investment Bank (BMI) offers emigrants medium and long-term financing for mortgage loans through commercial financial institutions. The investment partnership has a variety of stakeholders, such as construction companies, as well as public institutions and banks. Since it was established BMI has financed hundreds of housing loans (Orozco 2009). It has also organized fairs in the United States to promote emigrant investing in housing in El Salvador.

87. In Moldova the Ministry of Economy, with support from the World Bank, has set up a funding facility to promote skill transfers through short-term migration in Europe (primarily Slovenia). The facility sends Moldovan managers and skilled blue-collar workers to advanced countries to work for six months; they return to Moldova with useful new skills. These facility-financed transfers also allowed Moldovans to earn higher wages abroad in addition to learning new skills (Ellerman 2003).

### ***Partnerships on Labor Migration***

88. Agreements on labor migration between sending and receiving countries are common, though in very few cases these agreements cover all important aspects of the migration process. They usually deal with arrangements for sending workers, providing education and training, and protecting migrant labor rights. Although such agreements are typically not replicable, they do exhibit common patterns that may offer lessons to countries like Kosovo.

89. Labor migration agreements vary depending on the purpose of the engagement but typically cover (a) temporary work for a specified number of workers; (b) requirements for expected skills, safety standards, promise and commitment to return, and pre-selection of workers; and (c) preparation to emigrate, including documentation of workers, medical examinations, and work certifications. The process requires that both countries stay engaged in monitoring worker arrival, performance, and return.

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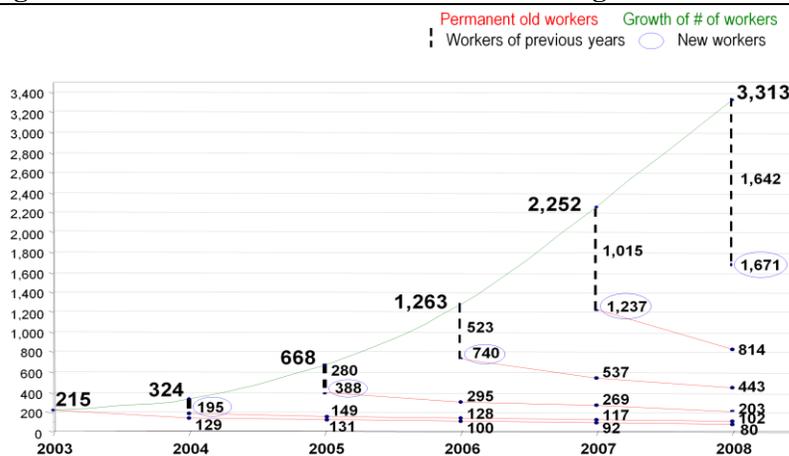
<sup>29</sup> Source: <http://www.bnr.rw/event.aspx?id=30>. The initiative is not yet fully operational.

90. These agreements are negotiated either with or without an intermediary. Some governments negotiating the “exporting” of labor manage the entire process directly with the receiving country. Others use private or international agencies to help design and negotiate a labor migration agreement. One example of intermediated negotiation is the 2003 agreement between Canada and Guatemala, which was negotiated with technical support from the International Organization for Migration (IOM) office in Guatemala. It was an agreement for Guatemalans to work temporarily in Canada on agricultural activities where Canada was experiencing a labor shortage.

**Box 3. The Successful Guatemala - Canada Agreement**

The Guatemalan government entrusted the International Organization for Migration (IOM) with management and oversight of the program it had entered into for providing temporary workers to Canada. The IOM worked with the Business Foundation for Recruiting Foreign Agricultural, an employer association in Montreal that represents hundreds of employers and coordinates seasonal hiring. The Canadian government agreed to assign a limited number of temporary work visas to Guatemalans once the recruitment agency and IOM drew up a worker profile that the Guatemalan government approved. The agreement was so successful that it was expanded (see figure) from a two-year pilot agreement restricted to agriculture work in Quebec to a full-length guest worker program for 3,700 Guatemalan workers in three additional Canadian provinces (British Columbia, Alberta, and Ontario) and in more sectors (including poultry farms, landscaping, laundry services, and construction).<sup>1</sup>

**Figure 15. Growth in the Canada-Guatemala Migrant Worker Program**



Source: Department of Social Development and Employment of Canada<sup>30</sup>

Participants were also satisfied. According to a 2008 IOM survey of the migrants, 95 percent said they were happy with working and living conditions and the relationship with employers.<sup>2</sup> The contracts with workers, ranging from four to six months, provide coverage under Canadian labor laws. All migrants must return to their country of origin at the end of their contracts. Ninety three percent of workers performed satisfactorily; reasons for poor performance by the others included low productivity, health problems, or family reasons.<sup>3</sup>

1 Interview with Sonia Pellecer, OIM Guatemala.

2 See IOM Guatemala <<http://www.iom.int/jahia/Jahia/media/press-briefing-notes/pbnAM/cache/offonce?entryId=25318>>.

3 See [http://www.sedi.oas.org/ddse/english/cpo\\_trab\\_quebec.asp](http://www.sedi.oas.org/ddse/english/cpo_trab_quebec.asp).

91. Caribbean countries also offer examples of labor agreements for skilled workers. The government of St. Vincent, for instance, now has a program for training and sending nurses to the U.S. According to the St. Vincent Ministry of Health, the government concludes agreements with U.S. medical companies to train nurses that the companies will later recruit to work in the U.S. The U.S. companies reimburse the St. Vincent government for the training costs each nurse they employ (up to US\$17,000 each), and the government invests the funds in enhancing nurse training (e.g., training nursing educators, updating teaching materials and facilities.)<sup>31</sup>

92. Sometimes two developing countries conclude labor migration agreements, as have the governments of Costa Rica and Nicaragua, which did so with support from the Spanish development agency (*Agencia Española de Cooperación Internacional*, AECI)<sup>32</sup> and the IOM. Migrant flows from Nicaragua to Costa Rica have been significant for a long time because of such factors as natural disasters (earthquakes and hurricanes), political conflict, and economic imbalances. With AECI financial support and IOM TA, the Nicaraguan and Costa Rican governments concluded an agreement<sup>33</sup> that created more favorable conditions for Nicaraguan workers in Costa Rica, improved the social situation of Nicaraguan migrant families, and promoted their social integration.

93. To achieve the objectives of the agreement the two governments with IOM support undertook a variety of activities.<sup>34</sup> For instance, they:

- Enhanced the capacity of the Migration Office in Nicaragua to speed up processing of documents through a single window at the Ministry of Labor and Migration office.
- Created and reinforced ways for authorities within and between countries to exchange information on migration matters.
- Improved the skills, knowledge, and resources of Nicaraguan consulates in Costa Rica and thus their ability to protect their nationals.
- Held information and awareness campaigns in both countries directed to employers, labor unions, migrant workers, and the general public.
- Organized border services in Costa Rica to immediately check temporary workers upon arrival and departure and also set up a Costa Rican consulate in Rivas, Nicaragua.
- Improved the skills, knowledge, and resources of the Costa Rican Migration Directorate to better document Nicaraguan migrants and help guarantee their access to social services.
- Provided financial literacy training to families of migrants in Nicaragua

94. The program has had significant success. The financial literacy component, for example, trained 7,000 households for three months to help them better manage their resources and increase their savings.<sup>35</sup> Beyond the benefits for the migrants, the program also helped build trust between the two countries.

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<sup>31</sup> See <http://www.pubmedcentral.nih.gov/articlerender.fcgi?artid=1955379>.

<sup>32</sup> AECI <http://www.aecid.es/>.

<sup>33</sup> See IOM Costa Rica <http://www.iom.int/jahia/Jahia/activities/americas/central-america-and-mexico/costa-rica>.

<sup>34</sup> See <http://www.iom.int/jahia/Jahia/facilitating-migration/pid/2031>.

<sup>35</sup> <http://www.iom.int/jahia/Jahia/media/press-briefing-notes/pbnAM/cache/offonce/lang/en?entryId=29028>.

## ***Regulations***

95. Legislative acts directly or indirectly touch on most types of migration-related policies, but the direct influence is particularly important when it comes to competition in money transfers, exporting labor, and social protection of migrants.

96. Competition in money transfer services, which is a major determinant of the costs of remitting, largely depends on how the financial sector is regulated. Realizing that regulation, or the lack thereof in terms of transparency and good practices, may be deterring competition, many governments have removed such barriers. For example, to prevent unfair competition by major MTOs,<sup>36</sup> the government of Nigeria has disallowed exclusive agreements between MTOs and remittance payers, as have Uganda, Rwanda, and other African countries. The African Development Bank has been providing TA to countries to evaluate their capacity to prevent exclusive agreements.

97. With regard to exporting labor, the Philippines has moved the farthest to regulate workers going abroad. The government has set up the Philippine Overseas Employment Administration (POEA) to manage migration (mostly aspects of labor mobility), and in particular to

- regulate recruitment to overseas employment.
- inform migrants of resources available abroad.
- provide protection and representation through a migrant welfare fund and absentee voting.
- set up mechanisms to learn more about migrant needs.

98. The origins of POEA date back to the Philippine labor code of 1974, which established the Overseas Employment Development Board (OEDB) to promote “a systematic program for overseas employment of Filipino workers.” The OEDB’s tasks were to identify host country needs, to recruit workers, and to secure overseas employment. In 1982, the OEDB, the National Seamen Board, and the Bureau of Employment Services were consolidated into POEA. The Philippine government has also passed legislation to regulate private recruitment agencies (through the Department of Labor and Employment), so as to ensure that agencies do not impose high fees on migrants seeking work abroad (Ruiz & Azam 2005).

99. Finally, laws on social protection can provide migrants with both social insurance and personal protection against situations where their rights might be violated. For example, as part of its managed migration program, the Philippine government requires that migrants have insurance to cover them in case of disability or death during their foreign employment. The insurance payments have been a non-trivial source of revenue to the state budget, but the proceeds are reinvested in migration-related policies.

## ***Education***

100. Education is one of the main instruments used to implement migration-related policies, especially by countries that specialize in exporting semi-skilled labor. Education, mainly technical skills training, has been used to increase the potential pool of migrant workers and increase their value.

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<sup>36</sup> Exclusivity agreements are contracts offered by large money transfer operators (MTO) that prevent a remittance payer from partnering with another transfer company. If an MTO partners with 7 out of 10 payers in a country, it acquires monopoly control. In Africa, two MTOs hold 60 percent of the market through such agreements.

101. The Philippines government long ago recognized the importance of equipping potential migrants with the right skills to find jobs in developed countries. The first step of the authorities has been to identify demand for migrant workers in destination countries. This has been done by approaching foreign governments, by analyzing past experiences and trends, and sometimes even by analyzing development plans and strategies of destination countries (to identify future skill needs). Then, based on this knowledge, various education programs are developed. These programs range from two-day courses for household workers to nursing schools.

102. In Pakistan, for example, the National Vocational & Technical Education Commission (Navtec) is mandated to regulate technical education and vocational training programs for potential migrants. Navtec sets up programs based on foreign demand for skilled labor in target destination countries, mainly the Middle East.<sup>37</sup> It provides training in 30 trades for which there is demand. Navtec's activities cover not only skills training but also apprentice programs and internationally recognized certification to assure that skills are transferable. To address skills demand, Navtec utilizes labor market information systems in destination countries and establishes sector skill advisory committees to bring together stakeholders who can provide insights into demand trends in target countries.

### Linking Policies With Instruments

103. Clearly, policy makers have a variety of ways to link migration and development. For each policy, there are at least two instruments that can be used to reach the desired objectives (see Table 5).

**Table 5. Matrix of Policies and Instruments**

	TA	C&O	FF	P	R	E
Facilitating the emigration process	x	x				
Protecting and providing education on migrant rights	x	x		x	x	x
Easing access to recruitment abroad	x				x	x
Increasing human capital	x		x			x
Reducing transaction costs	x	x	x	x		x
Providing financial access to migrants and their families	x		x	x	x	
Promoting competition in remittance transfers	x				x	
Creating investment opportunities for migrants	x		x	x		
Offering migrants trade and tourism opportunities	x		x	x		

*Source:* Orozco 2009.

*Note:* TA: technical assistance; C&O: communication and outreach; FF: funding facility; P: partnership; R: regulation; E: education.

104. Which policies and instruments a country chooses depends on both its circumstances and the priorities of its policy makers. Though many developing countries have a large diaspora, their experiences with migration-related policies differ greatly. For example, several Asian countries have chosen to promote export of labor and adopted policies to achieve that objective, but they have paid little attention to facilitating remittance flows. In contrast, many countries in Latin America have given priority to leveraging remittances and done less to facilitate migration outflows.

<sup>37</sup> <http://www.navtec.gov.pk/webpages/aboutus.html>.

105. The experiences of countries that have successfully incorporated migration into their development strategy suggest that determining the right policy-instrument mix must work through a number of steps: First, the authorities must become aware of what policies and instruments are available. Comprehensive understanding of this universe guarantees sound decision making. The next step is to estimate the costs of each policy option. Costs may constrain the choice of instruments. This is not confined to financial costs. Policy makers must also consider the capacity of public institutions, and other stakeholders, to implement the policies desired; often institutions simply do not have the necessary human and financial resources. Then, the authorities must analyze the potential risks. One of the most typical miscalculations is that governments are too optimistic about the size of their emigrant community or its interest in investing in the home country. Numerous projects designed with unrealistic ambitions have failed, such as the attempts of several governments to introduce “diaspora bonds” as financial instruments to reach out to migrants. Thus, having soundly based expectations helps direct the policy-instrument mix.

### **III. LESSONS FOR KOSOVO**

106. Migration will continue to be an important part of Kosovo’s economic, political and social landscape. The emigration of the young has alleviated labor market pressures, and remittances have helped receiving households enjoy a better standard of living—even, for the poorest households, move out of poverty. Today, a quarter or more of households have a family member living abroad. Moreover, over 10,000 Kosovans are estimated to be leaving the country every year. Hence, strengthening engagement with the diaspora and better utilizing Kosovo’s migration potential could make a significant contribution to its economic development.

107. From international experience Kosovan authorities can learn more about how migration and development intersect and how policy choices can influence these linkages to the benefit of economic development. Public policies can facilitate the migration process, reduce transaction costs for remittances, increase migrant-related trade and tourism, and promote investment opportunities to (returning) migrants. The authorities might also consider policies for protecting migrants by promoting their social and personal protection and access to health and education.

108. For example, Moldova is similar to Kosovo: it is a small country with one of the lowest average incomes in Europe; unemployment has historically been high; and a large proportion of its population has migrated abroad for better economic opportunities. A recent study (CIVIS IASCI 2010) presents a detailed list of policy recommendations for Moldova to link migration and development. It suggests that the government should: (a) improve the statistics on migration and the institutions dealing with it; (b) cooperate more closely with destination countries in managing the migration process; (c) establish its diplomatic and consular presence in main destination countries and strengthen its outreach capacity; and (d) in cooperation with financial institutions, promote the financial literacy of migrants and recipients of remittances.

109. Kosovo’s current migration strategy and action plan (2009–12) set out the objective of increasing the contribution migration makes to its economic development. However, neither document specifies measures that relate to migration-related development policies. Instead, they deal with the political aspects of migration, such as returning refugees and other Kosovans who have made temporary stays abroad. A new migration strategy should both establish a vision for how Kosovo’s diaspora can contribute more to its economic development and set out policies for reaching related strategic goals. The action plan would then elaborate the policies and identify instruments to implement them. Here, the international experiences described in this study may prove useful.

110. What these findings show is that, first and foremost, Kosovo needs to establish an institutional framework to realize its vision of how migration will contribute to Kosovo's development. The choice of institutional alternative will depend on the domestic context, including funding constraints, but in any case institutional capacity needs to be considerably reinforced.

111. Second, because remittances are the largest source of Kosovo's external funding, measures to facilitate their transfer and reduce costs should be a priority. The authorities should therefore direct their attention to promoting competition for transfers and enhancing the financial literacy of remittance senders and recipients.

112. Given the large numbers of migrants, promoting protection of their rights should be another priority. As other countries have demonstrated, this can be achieved by giving potential migrants better information on migration processes and by concluding agreements with main destination countries to ensure their rights and protection.

113. Since a significant share of Kosovan emigrants retain a link to their home country, improving economic conditions and providing information on investment opportunities could bring more of them back and encourage them to invest in economic activity. Measures could be adopted, for example, to promote the return of academics teaching abroad by offering financial and other incentives to teach at Kosovo's universities.

114. Finally, if, given Kosovo's demographics and high unemployment, the authorities wish to promote migration they need to expend more effort on managing the process, for instance, by designing policies at each stage of the process prior to migration, i.e. pre-decision making, pre-employment and pre-departure. In this context, investing in building up their technical skills would also be highly desirable so that potential migrants have better employment opportunities.

115. This policy note offer numerous examples of policies and instruments at each level of the migration cycle that other countries have introduced. However, the optimal policy mix for Kosovo depends on its country-specific circumstances, and as such should reflect Kosovo's reality. The first part of this study describes this reality, and the findings of the migration survey, would hopefully facilitate the defining of the optimal policy mix.



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