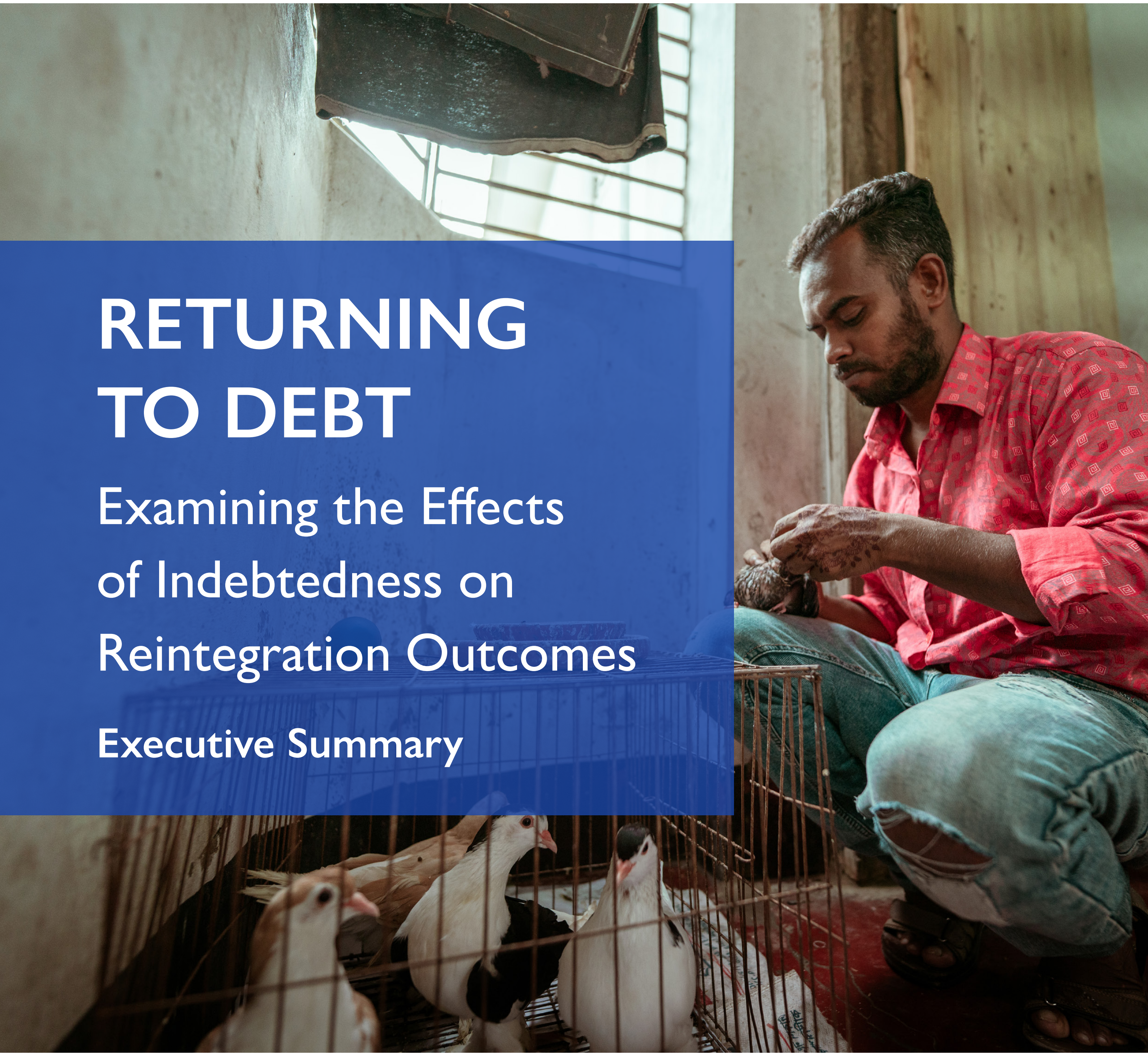
EU–IOM KNOWLEDGE MANAGEMENT HUB

Knowledge Management Hub | Research Fund

Research Study #4 | December 2022



RETURNING TO DEBT

Examining the Effects of Indebtedness on Reintegration Outcomes

Executive Summary

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returnandreintegration.iom.int

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Project funded by the European Union
Project implemented by IOM

This publication was made possible through the financial support provided by the European Union. The opinions expressed herein are those of the author and do not necessarily reflect the views of the European Union.

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This publication was issued without formal editing by IOM.
This publication was issued without IOM Publications Unit (PUB) approval.

Design: We2 – www.we2.co

Cover photo: Returnee in Bangladesh. © IOM 2022 / Beyond Borders Media

Required Citation: Samuel Hall, University of Sussex and IOM (2022). Returning to Debt – Examining the Effects of Indebtedness on Reintegration Outcomes. Executive Summary.

This mixed methods study – a collaboration between the International Organization for Migration (IOM), Samuel Hall and the University of Sussex – builds on previous research on debt and reintegration by analysing returnees' and their households' experiences with debt in five countries (Bangladesh, Cameroon, El Salvador, Ghana and Iraq). The study is based on data collection that took place between May and July 2022.

Using IOM's framework on sustainable reintegration with its focus on a multidimensional and multilevel reintegration process, this study analyses reintegration outcomes according to three dimensions (economic, social and psychosocial) and contextualizes the experiences of returnees within their households and communities.

The report focuses on how debt[1] acts as a barrier to, or at times facilitates, opportunities for returnees' sustainable reintegration, as well as ways in which it constricts returnees' ability to cope with reintegration challenges. Additionally, the report examines how debt damages returnees' households' capacity to support returnees' reintegration.

Throughout the analysis, specific attention is paid to the quality - or characteristics - of specific debts. Debt's impacts on reintegration outcomes are not inherently negative, rather particular types of debts are more likely to be linked to reintegration challenges; debt impacts are context-specific and can transform over time.

METHODOLOGY & OBJECTIVES

Quantitative data for this study was drawn from a survey with returnees (545 participants), during which selected questions from the IOM's Reintegration Sustainability Survey (RSS) were combined with questions from international surveys on financial inclusion (such as the World Bank's Global Findex Database 2017 survey), and questions developed by the research team.

Surveys were analysed alongside qualitative data, which came from semi-structured interviews with returnees and returnees' household members, adopting a case study W-model approach (in 52 cases), and 43 key informant interviews (KIIs).

The overarching objectives of the study were three-fold:

- Understand the impact of debt on sustainable reintegration;
- Identify how returnees and their households manage debt and how these experiences and decisions are linked with vulnerability and resiliency;
- Highlight good practices that tackle returnee indebtedness and formulate recommendations based on the study findings.

This report highlights returnees' and their households' experiences with debt and examines why and in which ways **debts can facilitate and constrain reintegration**. Overall, the study finds that the quality of the debt, the context, and the profile of returnees and their households generate situations of **debt coercion**, namely where there is a **negative, controlling or marginalizing impact of debt. The study reveals that the more coercive the debt conditions were, the poorer the reintegration outcomes.**

Identifying such situations of coercive debt becomes critical for those planning programmes and policies to support returnees' reintegration, as indebtedness can become a tipping point for further vulnerabilities. Timely intervention, and ultimately prevention, is thus key. Focusing on **mediating the structural reasons** why migrants, including returnees, accrue coercive debt; **advocating for more positive debts** and debt practices; and **integrating debt** into future reintegration programming are key thematic recommendations emerging from this research.

1 Debt is anything borrowed, either money, services or goods, with the expectation by one, some or all parties to the debt that the money, service or good is repaid in-kind or with money. Indebtedness is thus the state of being in debt.

KEY FINDINGS: 10 MESSAGES

1. Debt and indebtedness are common in migrants' and returnees' lives.

Regardless of country of origin or gender, the majority (72%) of surveyed returnees reported having borrowed money from a person, their community or an institution, either personally or through someone else, with 92 per cent of them still having to repay all or some of that debt, with negligible variation across country and gender. Debts taken for, or during, migration were the most common. By far the most important source of outstanding debt was family and friends (84%). Non-monetary debts were also evident in this study with some participants describing a feeling of moral indebtedness because of in-kind support they received that enabled their migration.

2. Debt practices are diverse and so are the quality of debts.

The diversity of debt experiences seen in the data hinges partially on the diversity of debt practices. The quality of debts accrued by respondents often differed according to the country context, the gendered experiences of respondents, and their migration status and manner of return. For example, men were on average more likely than women to have collateralized (and therefore, potentially risky) debts, but they were also more likely to have collaterals (assets) in the first place, opening a wider range of financial options. Women were more likely to encounter difficulties repaying debts given the constrained livelihood options they encountered in their communities of return – with debt exacerbating these challenges.

3. Being in debt is not inherently negative for reintegration, but specific debt characteristics can be.

While indebtedness negatively impacted reintegration outcomes overall, it is not associated with poorer reintegration outcomes for all. Indeed, there is some evidence that debt can be associated with better reintegration outcomes in specific circumstances and with specific conditions. For example, debt accrued prior to and not related to migration was significantly associated with positive reintegration outcomes; suggesting positive links between financial inclusion (including informally) and reintegration. Further, post-return debt also enabled returnees to seek medical treatment or start businesses, which can facilitate reintegration.

The study used a **framework of coercion** to look at whether particular debt characteristics were a more powerful predictor of poorer reintegration outcomes than simply whether someone was indebted or not. This analysis was based on debt characteristics, including terms and conditions, age of debt, loan source, and migration stage when debt was accrued. Owing to only third parties (i.e. not friends nor family), borrowing for and post-return, collateralized debt, long-term indebtedness, and high interest rates were often associated with poorer reintegration outcomes; findings that were evident from the qualitative data as well. Importantly, whether a debt negatively affected reintegration outcomes can change over time. A debt initially seen as positive (e.g. a positive investment in an hoped-for improved future) can later result in coercive conditions that negatively impact reintegration.

4. Debt exacerbated returnees' economic challenges upon return.

While debt can be an indicator of financial inclusion and can be associated with higher reintegration outcomes in specific circumstances, such as pre-migration debt and debt not related to migration, it more often restricts the ability of returnees to respond to economic challenges and secure a sustainable livelihood. Specifically, returnees who remain indebted over an extended period increase their and their household's risk of specific harms, such as food insecurity or insecure housing.

5. Prolonged indebtedness may damage social reintegration.

Debt's impact becomes more pronounced when returnees' experience prolonged indebtedness. For example, the study data shows that as debts become due and returnees face increasingly difficult budgetary decisions, as well as social consequences for non-repayment, returnees must make difficult decisions about spending priorities. In some cases, this threatened returnees' access to health care and housing.

> *I haven't paid even a part of [the debt]. I have paid nothing at all… If I pay that loan, I wouldn't be able to take my father to the hospital.*
>
> – *Male returnee from Ghana*

6. Indebtedness is a strong indicator of worsened psychosocial reintegration.

Being in debt was strongly and significantly associated with negative psychosocial reintegration outcomes. Returnees often reported feelings of stress, stigma and shame because of indebtedness. Further, debt damaged or eliminated parts of returnees' social networks, constraining the supportive networks available to returnees that can support their reintegration. As a result, debt restricted some returnees' participation in social life within their families and communities, which returnees and KIIs linked to poor mental health outcomes.

7. Households' vulnerabilities are exacerbated by returnees' indebtedness.

Households proved to have complex financial lives – which was both separate and deeply intertwined with returnees' own indebtedness. At times, returnees' financial challenges during migration (particularly those who had been detained and/or subject to deportation) had clear spillover effects on household members, negatively impacting their well-being, as well as their ability to later support returnees' reintegration. Returnees' indebtedness sometimes pushed entire households into debt – particularly when debt had prohibited returnees' from sending remittances while they had been abroad. Furthermore, stigma and shame associated with debt extended beyond the returnee to their household members. Finally, debt's impacts were intergenerational and gendered, impacting children's access to education, and household members' care responsibilities.

8. Widespread indebtedness in areas of high migration and return may constrain local economic development.

There were some indications that indebtedness, particularly when it is widespread, prolonged, and in high amounts, may impact the overall socio-economic development of communities and increase economic inequalities. Landlessness from seized collateral, and the end of remittances with return, constrain the ability of returnees to contribute to economic development.

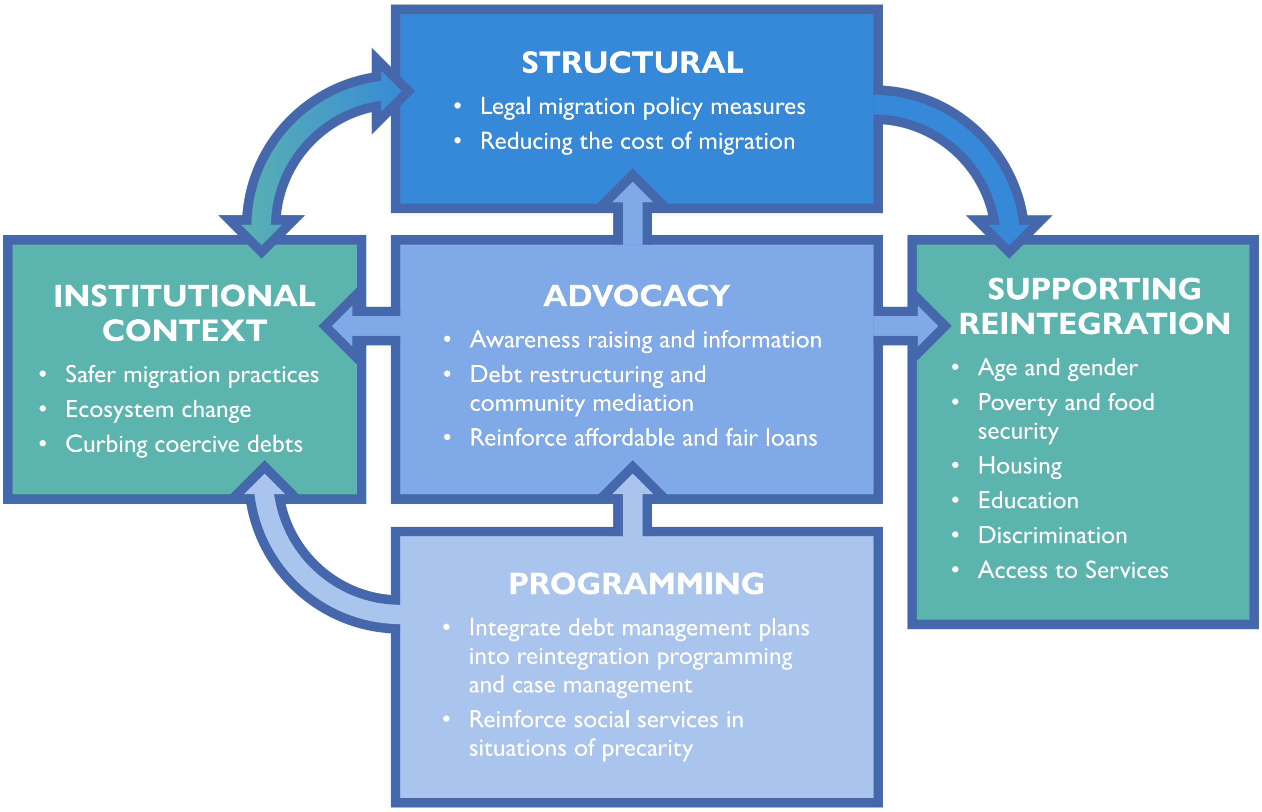
9. Community and family structures can both address & exacerbate the negative impacts of indebtedness on reintegration.

Returnees' debt practices and reintegration were embedded in households and communities as family and friends are the main source for borrowing. Explicitly examining the larger community and familial structures influencing migration, reintegration, and debt is thus required for a more holistic picture on indebtedness. Traditional debt mediation structures, such as community elders or community officials, could be points of entry for advocacy. However, some existing structures exacerbate the negative impacts of debt on reintegration outcomes, such as high interest rates from microfinance institutions and collateralized loans from moneylenders.

10. Problematic debts may lead to involuntary remigration.

Some returnees saw no realistic prospect of paying off their debts without remigrating or a family member remigrating. This was particularly the case when the debts were very large, as seen in Iraq and El Salvador. There was also some evidence that it is easier to access loans to migrate than to invest in reintegration-related ventures; lenders were more keen to invest in the promises of migration, than the hopes of reintegration.

RECOMMENDATIONS



Structural changes to ease the burden of indebtedness on migrants

Debt is most often incurred to finance the migration journey – including costly, lengthy and risky irregular migration journeys. **Legal migration policy measures**, such as guest worker programmes and implementation of bilateral labour agreements, can reduce the reliance on debt and formalize a more protected migration journey, that can lead to investment into return and reintegration, when migrants choose to return to their home countries. A **reduction in the costs of migration** could lead to better, more sustainable, reintegration outcomes. This can be complemented through **making positive loans more readily available**, thus opening up opportunities for sustainable livelihoods and reducing the demand for high-cost, coercive migration debts. Further, such actors can work to create more affordable, and thus sustainable, pathways for migration, such as more accessible pathways for labour migration.

Advocacy for reducing the costs of migration

Most returnees' current debts were taken out for, or during, migration. As indebtedness is significantly associated with poorer reintegration outcomes, particularly in the psychosocial dimensions of reintegration, a reduction in the costs of migration could lead to better, more sustainable, reintegration outcomes. Whilst this is beyond the control of any stakeholder, key actors such as IOM and local and national governments should highlight the debt implications of costly migration in their global advocacy for humane migration, as well as in community awareness raising campaigns.

Advocacy on debt and coercive debts at a community level

Integrating debt into awareness raising and sensitisation through community discussions and workshops can ensure that communities also play a role in **planning debt restructuring and relief through community mediation.** Given returnees indebtedness impacts and originates in their wider ecosystems, programming should capitalize off the existing structures with which returnees and their households already interact – namely the household and the community. Community elders, family members, and local informal and formal judicial structures emerged as entry points for advocacy on debt mediation mechanisms.

Integrating debt management plans as part of the case management approach in reintegration programming

Debt programming should be mainstreamed into case management training and counselling. This should be highly individualized and will in due course transition the returnee into individual financial planning. Debt management plans (DMPs) should be at the centre of these efforts. DMPs are an informal agreement that can be facilitated by reintegration actors and reintegration case managers, between the returnee, the household and the creditors, for paying back debts that have some acknowledged flexibility. DMPs can importantly allow breathing space for returnees to be able to re-establish themselves in their communities before having to start debt repayment.

Reinforcing social services and identifying tipping points to prevent situations of precarity

Given that returnees struggled to maintain housing and address their indebtedness, programming should help returnees bridge the gap until their debt has been repaid. This can be achieved through special rental agreements, housing stipends, or mediation between landowners. The nature of the debt should guide the intervention required.

Further, given the negative impact indebtedness has on the psychosocial health of returnees, interventions should strengthen positive family and the community structures, as these social networks can bolster returnees' resiliency. Public awareness campaigns on indebtedness and family and community mediation are examples of such programmes which can strengthen families' and communities' ability to foster opportunities for sustainable reintegration.

Reinforcing affordable and fair loans in countries of origin

Beyond a focus on reintegration programming, there exists a need to acknowledge the importance of debt in financing migration. Targeted advocacy and outreach focusing on age, loan source, terms and conditions, and the migration stage can be a powerful tool for reducing the likelihood of debt negatively impacting reintegration outcomes, and instead allowing debt to facilitate reintegration. This can focus on context-specific information campaigns informing potential migrants of the dangers of indebtedness, as well as working with local formal and informal money lending institutions to develop less coercive loan conditions. Importantly, the latter should reinforce the capacity of community leaders and work within systems – not create parallel ones.

Returnee in Cameroon. © IOM 2022 / Beyond Borders Media

Samuel Hall

Samuel Hall Samuel Hall is a social enterprise that conducts research, evaluates programmes and designs policies in contexts of migration and displacement. Our approach is ethical, academically rigorous, and based on first-hand experience of complex and fragile settings. Our research connects the voices of communities to changemakers for more inclusive societies. With offices in Afghanistan, Germany, Kenya and Tunisia and a presence in Somalia, Ethiopia and the United Arab Emirates, we are based in the regions we study. For more information, please visit www.samuelhall.org.

EU-IOM Knowledge Management Hub

The development and production of this research study is supported by the EU-IOM Knowledge Management Hub (KMH), which was established in September 2017 under the Pilot Action on Voluntary Return and Sustainable, Community-based Reintegration, funded by the European Union. The KMH aims to strengthen learning across return and reintegration programmes, and support the harmonization of approaches, processes and tools under the EU-IOM Actions addressing migrant protection and sustainable reintegration in Africa and Asia and beyond.

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