

Migration and development

The role for development aid

A two-way link exists: migration impacts development while development shapes migration. International emigration is not a substitute for economic development at home and some aspects of migration may prove harmful to the home country. Emigration may accelerate or harm economic growth at origin internal movements may prove welfare improving or detrimental, and economic development at home may or may not deter departure. Much depends upon the setting; policies in both the countries of origin and host states matter.

In the research overview *Migration and development: The role for development aid*, Professor Robert E.B. Lucas, Boston University, synthesizes existing research on the links between migration, economic development and foreign aid.

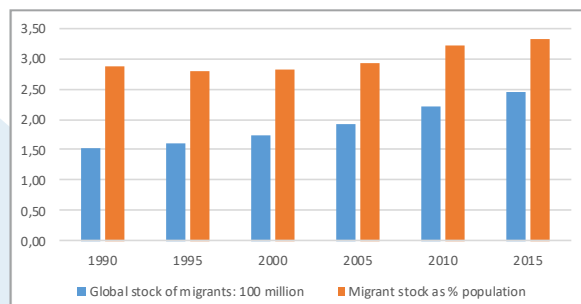
POPULAR MISCONCEPTIONS

A number of popular misconceptions pervade discussions of the migration-development nexus, potentially misguiding policy decisions.

The number of international migrants has grown, though a part of this stems from the splintering of the Soviet Union. In fact, the fraction of world population that resides outside of their country of origin has hardly grown since then. On the other hand, the notion that international migration is a temporary, adjustment phenomenon that will steadily decline is also misplaced.

Income inequality has increased, both within and between countries. The evidence clearly indicates a positive association between bilateral population movements and the gaps in GDP per capita or in mean wages. Yet nearly 40 percent of the world's international migrants are in the developing countries, with almost exactly half of these in the low and lower-middle income states. Apart from movements to the Gulf Cooperation Council (GCC) states, relatively few migrants from the low and lower-middle income countries make it to the high-income regions. The less-well educated from the low-income countries stand almost no chance of migrating to higher income countries.

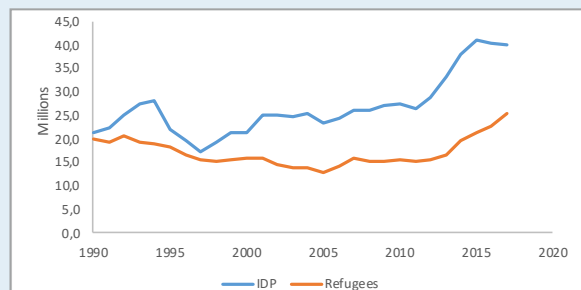
Figure 1. Global Migrant Stock: 1990-2015



Data source: *Trends in the International Migrant Stock: The 2017 Revision. United Nations, Department of Economic and Social Affairs, Population Division (2017).*

The surge of asylum seekers into Europe in 2015 and more recently to the US has led to a misconception that the refugees of the world are concentrating in the high-income regions. Yet, by 2017, 85 percent of the world's refugees were actually in the developing countries with a disproportionate concentration in the low-income countries. Moreover, the Internally Displaced Populations (IDP), who are almost entirely in the developing countries, outnumber refugees (the latter having crossed state boundaries), by more than 50 percent.

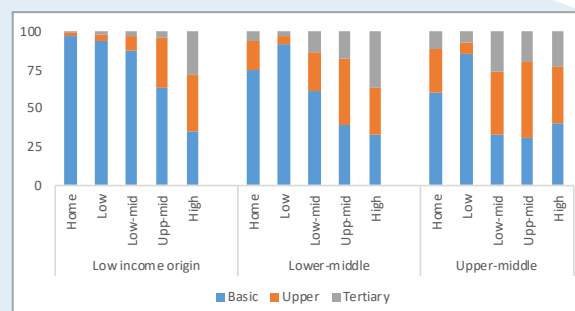
Figure 2. Global Stock of Refugees and IDP



Data source: *World Development Indicators at databank.worldbank.org/data/ and Internal Displacement Monitoring Center at <http://www.internal-displacement.org/database/diplacement-data>*

Gross emigration rates are highest from countries in the mid-range of GDP per capita; a phenomenon dubbed the migration transition or migration hump. This has led a number of observers to conclude that economic development of developing countries will exacerbate emigration pressures. Yet it remains unclear that today's low-income countries will resemble their better-off counterparts over time. Both relaxation of financial constraints and improving education levels have been hypothesized to underlie increments to emigration with rising incomes amongst the poorest states. Thus, to the extent that the OECD countries are concerned to attract better-educated migrants, the role of rising education suggests that any concerns with respect to a migration transition are misplaced. Moreover, to deny low-income countries the prospect of development for fear of mounting emigration is only to postpone reaching a transition point.

Figure 3. Education Composition of Bilateral Migrations



Data source: *The DIOC-E database at <http://www.oecd.org/els/mig/dioc.htm>*

'Brain-drain', emigration of the highly-skilled, is commonly viewed as harmful to the developing countries. However, whether the departure of highly-skilled persons imposes costs upon those remaining at home depends upon several elements: how effectively the highly-skilled would be

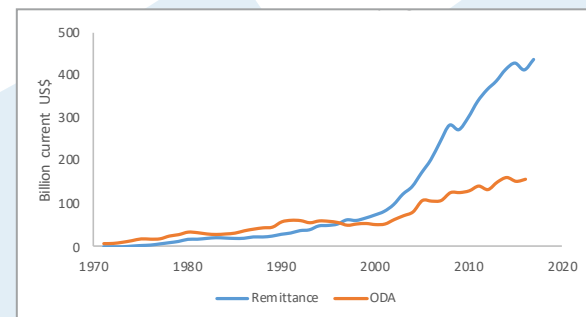
deployed at home if they were to remain; any spill-over effects from loss of services or reducing productivity levels of remaining workers; the method of financing higher education at home; and whether the training actually takes place at home or overseas. Any such costs also need to be weighed against advantages from having a highly-skilled diaspora; elements of ‘brain-gain’. These include: induced additional education among the remaining population; the stimulus to bilateral trade with the host countries; the larger remittance inflows from better-educated emigrants; transfers home of technology and positive ideas; and the prospects of return with improved skills acquired abroad.

Reported remittances have expanded nearly six-fold since the turn of the millennium, out-pacing expansion in Official Development Assistance (ODA), which is now less than half the total of reported remittances. How much of the expansion in reported remittances is real remains disputed and unclear. Some of the expansion may reflect changing coverage and definitions, while some reflects efforts to redirect transfers away from the largely unreported movements through informal banking agencies. The chief barriers to channeling remittances through more formal money transfer services are the costs of sending money home and the difficulties imposed by banking regulations in various countries. Though costs have generally decreased, they remain high on some thinner migration corridors and there is far to go to meet the three percent target set in the Sustainable Development Goals.

Home governments often see international remittance inflows as a resource to be exploited and complaints that these transfers are not invested are common. Such complaints are misplaced. First, transfers to families at home are actually often invested, particularly in education and housing. Collective remittances, through such organizations as home-town associations, tend to be invested in local amenities and infrastructure. Second, remittances

from individuals are private transfers; even if policy-makers wish to raise the national commitment to investment, it is not obvious why remittance-recipients should be expected to bear the load. Moreover, lack of public infrastructure investments can deter remittance recipients from investing.

Figure 4. Remittance and ODA to Developing Countries



Data source: World Development Indicators at databank.worldbank.org/data/.

Migration within countries is far larger than international movements, and is a key to smooth development as economies transition from predominantly rural to increasingly industrialized societies. Yet rural-urban migration is often “blamed” for the rapid increase in urbanization levels among countries where urbanization levels remain low. However, the expansion in urbanization is often a reflection of natural population growth, resulting in villages becoming towns and in encroachment of cities, swallowing neighboring rural areas. Recent evidence also points to the temporary nature of moves into towns, even among those establishing a usual residence in the urban sector before returning.

HOME COUNTRY POLICIES

The failure of countries of origin to generate employment and improve living standards more generally, the failure to protect citizens from violence and the lack of balanced access to the benefits of economic development at home are all major drivers of migration. Such factors also affect whether migration aids or harms economic development. In turn, these factors are shaped by labor market interventions, educational planning, infrastructure decisions, and even macro-economic policies over-lying deep-seated effects of global technology evolution and climate change. All of this calls for major improvements in integrating migration into national planning by the developing countries, which often remains rudimentary at best.

Distance is a deterrent to both internal and international migration. In remote rural areas this results in the absence of fellow villagers forming a welcoming network in town. Populations in remote settings are consequently increasingly isolated from any progress at the core of the economy. In almost all developing countries ethnic minorities are less likely to migrate into towns than those from the majority community, and this is not just because minorities tend to live in more remote settings. Whatever the underlying reasons, any 'barriers' to mobility not only prevent efficient sorting of labor into the most productive activities, but also result in wide disparities in incomes (extreme poverty is concentrated in the rural areas). Both on account of efficient progress and poverty alleviation these barriers require redress. Improving access to rural schools and the quality of that education may prove a key component in this, perhaps particularly in reaching more remote communities.

Climate change has two effects on migration: directly through more frequent hydrometeorological disasters;

and indirectly through changing livelihoods. The bulk of the effect is on internal migration rather than emigration. Climate change is an indisputable fact and planning for its consequences, including the induced growth of urbanization is pressing, calling for urgent, advance planning.

HOST COUNTRY POLICIES

The broad range of factors at play in shaping international migration also call for policy coherence among the high-income, migrant receiving countries. These considerations also remain rudimentary. Trade policies, investment strategies, anticipating and averting disasters derived from the onset of conflict or short and long-term climate change, all need to be viewed with migration in mind.

The evidence clearly shows that bilateral migration flows are greater to countries with more generous social benefit structures. This refers, however, to selection of location by migrants; it is unclear whether more generous social benefits swell the total flows of migrants. Nonetheless, political pressure may lead to diminished social benefits to stay in-line with other potential hosts; a phenomenon dubbed the "race to the bottom."

Return migration of low-skilled workers probably has the largest impact in terms of direct poverty reduction in countries of origin. This has been a notable outcome of the mass migrations to the GCC states. Departure of low-skilled workers helps tighten the labor-market for fellow, low-skill workers at home. Remittances from low-skill workers go to low-income families, and prospects of return are associated with higher remitting levels. Return migration is often an objective of the host countries too, but has proved difficult to manage.

MIGRATION AND OFFICIAL DEVELOPMENT ASSISTANCE

Among the links between migration and High-Income countries' policies, the research overview focuses particularly upon the roles of Official Development Assistance (ODA). Attempts at containing international migration have become an increasing focal point of ODA use. By no means should shaping migration and its outcomes be the only goal of aid however. Moreover, the OECD defines ODA, *inter alia*, as “administered with the promotion of the economic development and welfare of developing countries as its main objective.” Not all of the uses of aid targeting migration meet the OECD definition. Indeed, deploying ODA strategies to contain migration have proved a blunt instrument to date.

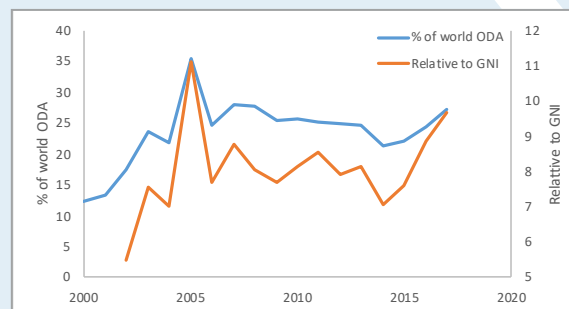
At an earlier stage, offers of ODA formed part of the package of the co-development schemes formulated by various European countries, though these failed to establish any coherent set of policies and were largely abandoned. More recently the US has ineffectively adopted a threat of discontinuing ODA in an attempt to restrict border crossings. In 2015, the EU introduced an Emergency Trust Fund for Africa, soon followed by a Migration Partnership Framework combined with an ambitious External Investment Plan. These European efforts have diverted ODA into objectives that are hardly aimed at “the promotion of the economic development and welfare of developing countries.” They have also had extremely limited success in such areas as job creation, and in enhancing willingness of developing countries to accept returned migrants.

The conventional wisdom among policy makers has been that economic development in the sending countries will reduce emigration pressures. The conventional wisdom

among contributing observers asserts that the opposite is the case; that aid to developing countries will not help to diminish incentives to emigrate but will actually increase out-migration. The most cited sources of evidence that aid is positively associated with emigration rates are now outdated and may well be statistically flawed. Some of the most recent contributions even conclude the exact opposite; that more aid is associated with lesser emigration rates.

The countries and territories in conflict or in a fragile state are the origins of two-thirds of the world's refugees and 60 percent of the internally displaced as of 2017. ODA to these states has risen from about 12 percent of total ODA at the turn of the millennium to over a quarter by 2017. By 2017 these countries and territories in a fragile state received nearly ten times as much ODA, relative to their gross national income (GNI), compared to other ODA recipients. This ratio has doubled since 2002.

Figure 5. ODA to Fragile Situations



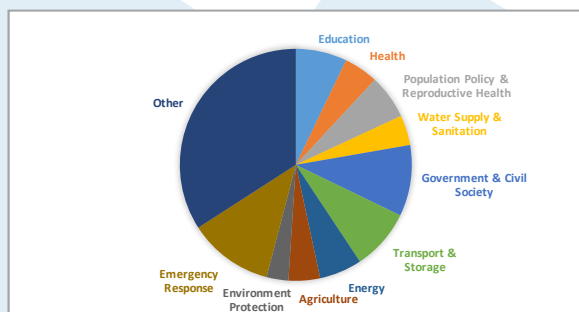
Data source: World Development Indicators at databank.worldbank.org/data/.

Containing the anticipated flow of refugees ought not to be the chief criterion in directing aid towards failing situations. Rather, the focus needs to be on addressing the underlying factors that give rise to conflict in the first place. For instance, as OECD notes, “If no action is taken, more

than 80% of the world's poor could be living in fragile contexts by 2030.”¹ Effectively delivering aid during times of conflict is generally too late and not viable. However, there are signs of improvement in aid delivery and effectiveness to states in a fragile situation prior to the onset of any conflict.

Recent analyses of the links between ODA and emigration point to the importance of the composition of that aid.

Figure 6. The main components of bilateral ODA as of 2017



Data source: OECD Statistics: ODA by Sector at <https://data.oecd.org/oda/oda-by-sector.htm>.

How contributions to education shape migration may well depend very much on the nature of this spending, including the level of education and location within the country. More than a third of ODA for education currently goes to Post-Secondary levels. Possessing a tertiary education is associated with higher levels of emigration and emigration to the high-income countries in particular. Whether this results in brain-drain or brain-gain to the home country, on balance, remains debatable. On the other hand, expanding the basic and secondary levels of education typically enhances the employability of young people at home, tending to diminish departure. The evidence quite clearly indicates that providing primary schools in rural areas can have a significant effect on school completion

and on earnings. Since those with a little better education are also more likely to migrate into urban areas, this can also facilitate the transition out of dependence on agriculture. Moreover, there is evidence of distance-to-school impacting attendance negatively. Thus, provision of basic schooling closer to remote areas may well help to diminish the cumulative isolation of those at the periphery from economic progress at the core.

Contributions to economic infrastructure, predominantly in transport and energy, are also key in bilateral ODA, amounting to some 17 percent in 2017. These components can play an important role in shaping migration in at least three ways: (1) Lack of infrastructure is a significant constraint on overall economic development in many of the developing countries, ultimately limiting the potential for job creation and the attractiveness of remaining at home; (2) Investments by the diaspora and out of migrants' remittances need to be complemented by the provision of appropriate infrastructure to render them effective; (3) The location of additions to infrastructure probably has an important role in shaping internal migration.

ODA to agriculture presumably has two main goals: improving food security (when food imports are limited and food must be grown locally); and improving living standards in rural areas where most of the world's poor reside. To the extent that it is successful with respect to the latter, such aid probably serves to diminish the extent of rural-urban migration. Whether providing incentives to remain in the rural zones is the best strategy in the long-run is unclear, particularly in contexts where climate change is increasingly rendering dependence upon agriculture less viable.

Contributions to environment protection are presumably productive in the longer-run by sustaining living stan-

dards and mitigating some of the consequences of climate change on population redistribution internally. Depending upon the targets of this assistance, it may also have global, spill-over benefits. This segment is, however, quite small, totalling only about three percent of bilateral ODA in 2017.

In 2017, 90 percent of the humanitarian aid (12 percent of total bilateral ODA) contributed to emergency responses. This is clearly an important role for the donor countries. However, the contributions to reconstruction relief & rehabilitation and to disaster prevention & preparedness both amounted to less than one percent of total ODA. The former is likely to play an important role in return of both migrants and refugees; the latter is also likely to prove vital, going forward, in limiting the need for emergency response funding and in diminishing the adverse drivers of both international and internal migration. The emphasis here seems to be rather short-sighted.

The Global Compact for Safe, Orderly and Regular Migration (GCM) and the Global Compact on Refugees (GCR) were both agreed to by all but a few countries in 2018. The GCM, which is not legally binding, sets out 23 objectives, each with a list of intended actions to achieve these goals. Not all of these objectives lend themselves to an obvious, supporting role for ODA, and certainly not all possible interventions meet the Lisbon definition of ODA. Nonetheless, the research overview develops some suggestions as to the nature of potential ODA in moving toward fulfilment of at least some of these objectives and intended actions. Several of the suggestions involve the need for expert assistance in moving toward fulfilment of the GCM. These include integrating migration into development planning, improving data availability and analysis capability. But the GCM also emphasizes the need to “Minimize the adverse drivers and structural factors that

compel people to leave their country of origin.” The emphasis on compulsion here clearly indicates that actions would be aimed at the interest of the home-country’s population, opening key roles for ODA that are also outlined in the report. Here, suggestions include the importance of appropriate infrastructure investments and location, vocational training and education leading to improved employment opportunities at home. A number of other potential roles for ODA are also noted, both in rendering migration more orderly and in promoting progress at home as a result of these movements. The GCR is far more explicit in its calls for international assistance, though in this context the aim is to create multiple stakeholder groups, which will require multinational coordination.

Notes

1. OECD. (2018). States of Fragility 2018. Paris: OECD Publishing.



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Migration and development – *The role for development aid*
Delmi Policy Brief 2019:5
The Policy Brief is available at www.delmi.se

