Towards Policy Coherence on Migration
IOM Council Meeting, November 2005

Danny Leipziger, Vice-President
The World Bank

It is a privilege for me to speak to such a distinguished assembly of government and international experts on migration. In contrast to IOM, the World Bank's engagement with migration is relatively new, and was initially more narrowly focused on economic migration, particularly remittances and their impact on developing countries. Our fuller attention to migration – alongside trade and finance - is long overdue, since **it can have profound implications for development and poverty reduction**. As we venture forward, we hope to work in closer collaboration with IOM.

2005 marks an important watershed for the World Bank in regard to migration. The flagship publication *Global Economic Prospects 2006,* just launched this month, is dedicated to Economic Implications of Remittances and Migration. This year has also seen new Bank research products, *International Migration, Remittances and the Brain Drain*. There is a growing body of World Bank research on the determinants and impact of migration on development and poverty reduction, a new regional study on migration in Europe and Central Asia to be published early next year, a conference on migration and gender in the making, and strengthened collaboration between the Bank and IOM.

The Bank was also privileged to participate in the launching of IOM's own flagship publication *World Migration 2005* earlier this year, and IOM kindly hosted the Geneva launching of our *Global Economic Prospects 2006* just two weeks ago.

For the World Bank, migrant remittances are the most measurable evidence of the benefits of migration for the families who remain behind, and the issue is how to help facilitate financial flows in support of development. But, of course, remittances are an outcome of migration, and the patterns of the latter very much determine the former, hence our efforts to take a broader perspective on the costs and benefits of migration and its impact on development.

We have found that the movement of people can bring benefits that rival those of the movement of goods and services; and while these benefits are mainly reaped by the migrants and their families, there are also gains for the labor markets and economies of the countries of origin and destination. The Bank's *Global Economic Prospects* report discusses the costs and benefits of economic migration, and how the benefits can be maximized through coherent migration policies and cooperative arrangements between countries.

Migration is a natural economic phenomenon and is thus likely to accelerate in the coming years given the differential aging between countries, continued large wage disparities, changing patterns of trade, especially in services, and reduced cost barriers.

My main point today is that coherent migration policy making is very much needed and should be based on three elements – sound **data and analysis** on global patterns of migration and remittances to inform the policy makers; **country policies** that draw the connections between migration and other affected public policy areas such as trade, labor and social welfare; and **cooperation** at bilateral and multi-lateral levels in order to guide those policies.

One of the Bank's comparative advantages in this relatively new field of engagement is **data analysis**, so let me begin with some of the Bank's data illustrating how migration and remittances can benefit DEVELOPING COUNTRIES by facilitating access to foreign exchange and global financial markets, and by contributing to reducing poverty and raising living standards.

(a) The growth of remittances as a **source of foreign exchange** for developing countries has outpaced private capital flows and official development assistance over the past 10 years.
- Last year, remittances were larger than the total merchandise exports in countries like Albania, Bosnia and Herzegovina, Cape Verde, Haiti, Jamaica, and Nepal.
- In 28 countries they are larger than the most important single commodity export. In Sri Lanka, they are larger than tea exports.
- In Mexico, remittances are larger than foreign direct investment
- In Morocco they are larger than tourism receipts.

This year, recorded remittances to developing countries driven by growing migration are expected to reach US$167 billion, double the amount of five years ago ($85.6

million), and two and a half times the total amount of official development assistance (ODA). Some countries (like Brazil, China, Honduras, Nigeria, Pakistan, and Serbia and Montenegro) have seen remittances doubled or tripled since 2001.

In some countries (such as Brazil, El Salvador, Kazakhstan, Lebanon, Mexico, Peru and Turkey), remittances have been considered as a source of foreign exchange large enough to raise the levels of credit-worthiness and facilitate access to global financial markets.

Although data collection by governments has improved, these statistics are still a gross under-estimation of the reality. Some countries with large migration populations do not report remittance data, and many transfers, largely made by migrants with no legal status in the host country, are informal and unrecorded. Our analyses have shown that these could conservatively add another 50 percent or more to the recorded flows of remittances.

(b) We also know from a combination of household studies in a number of poor countries and cross-country econometric analyses that remittances play a crucial role to promote **growth, poverty reduction and better living standards of the population**. They directly increase the income of migrant families, and by diversifying household sources of income, can help mitigate the effects of macroeconomic shocks, financial crises, crop failures or major health challenges. Emigration of low skilled workers can also act as a safety valve for unemployment and under-employment.

World Bank studies (in Ghana, Guatemala and Mexico) have found that remittances have a positive effect on education of children, family health, and mortality rates, through both increased income and better health/education acquired abroad.

- In Uganda, Bangladesh and Ghana, remittances have helped lower the poverty levels of households by between 5 and 11 percent
- In Guatemala they appear to have reduced the severity of poverty by up to 20 percent.
- In China, remittances from workers who migrated to main urban centers have contributed to decreasing poverty in rural areas and reducing income disparities across regions.

There are also a number of other ways in which migration, trade and foreign direct investment can reinforce each other.

- Migrants may establish and strengthen crucial business linkages between their home and destination countries.
- They may return home to transfer much needed new skills, technologies and capital, which could result in new business ventures, and cross-country trade.
- Migrant communities may also help to integrate their home countries into the global economy through many different channels.

For DEVELOPED COUNTRIES, migration could help to **slow down the population decline and mitigate the aging effect**, particularly in Europe and North America. From 1990 to 2000 international migration accounted for 56% of population growth in the developed world and this trend will likely continue in the future. With continuing demographic decline in the coming years, high income countries are likely to lose about 20 million workers by 2025, relative to peak employment. This will create a higher demand for labor that could be supplied by developing countries, where the labor forces continue to grow more rapidly than in the developed world.

Migration could **supply much-needed labor** in sectors experiencing shortages, increase the flexibility and responsiveness of labor markets, boost returns to capital and improve the international competitiveness of labor-intensive sectors.

In this respect, temporary mobility (particularly for certain groups such as the young) may offer more advantages than permanent migration since it entails greater economic flexibility, while creating less long-run population pressure and less potential problems of social and cultural integration.

These data highlight the potentially POSITIVE contribution that migration can make to the well being of both developing and developed societies.

BUT, we are also very aware of the NEGATIVE impact that migration can have, particularly for developing countries:

(a) Skilled migration can deplete a country of essential human capital. For example, the latest dataset the World Bank has compiled on **"brain drain"** indicates that more than 50% of college graduates from Central America and the Caribbean are abroad. The tendency to migrate among the highly educated is equally high in many countries in Sub-Saharan Africa, which already suffer from extremely low levels of human capital.

(b) Another striking observation is that a large portion of the college educated migrants from the developing word who live in OECD countries are employed in relatively unskilled jobs – a situation which we refer to as the **"brain waste".** These two scenarios have severe implications for growth and development in developing countries, particularly small island states and some Sub Saharan countries.

(c) For the migrants, there can also be huge, often hidden, **costs of moving**. The long absences of parents and marital partners abroad can wreak huge social costs for families and communities left behind.

(d) Remittance transfers can also be unnecessarily expensive for migrants in some regions, as can the **fees charged by recruitment agencies.**

(e) But the costs are particularly high for migrants who are forced by circumstances and lack of opportunity to enter and work in other countries without proper documentation and immigration status. The combination of large labor needs and limited legal access in many industrialized countries encourages **clandestine and dangerous forms of migration**. The risks for irregular immigrants are especially high in the case of trafficked women and children, who are doubly handicapped by their physical and gender-related vulnerability.

Given these positive and negative effects, **the challenge for policy makers** is to enhance the economic and demographic gains of migration while managing the associated costs and implications, particularly for developing countries.

What are some of the **key policy messages** that we have been able to draw from our work?

(1) First, while migrants can play a significant role in their origin countries, **their contribution should not be seen as a substitute for growth and economic development**. Sound domestic economic and labor policies in countries of origin are the main drivers of successful and sustained development. At the current rate, migration flows would account merely for 10% of the world labor force increase in the future, while the remaining 90% of jobs would have to be created domestically.

(2) Second, countries facing a large exodus of skilled workers and university graduates can help reduce the risk of a "brain drain" **by enhancing their own governance and business climate**, improving working conditions in public employment, investing more in research and development, and providing job opportunities for returned skilled migrants.

Some developed countries receiving high skilled migrants from poorer countries have begun to address the "brain drain" problem in cooperation with migrant origin countries and devised ethical codes of conduct for recruiting professionals from vulnerable sectors in developing countries. The best cited examples are the Commonwealth Code of Practice relating to international recruitment of health workers (2003) and the Commonwealth Protocol for the recruitment of Commonwealth teachers (2004). Such strategies could be especially helpful for small developing countries (e.g. island states of Grenada, Jamaica, Fiji), where the loss of even a handful of teachers, doctors or scientists can cripple any efforts to grow and develop.

We have also begun to understand how **circular migration**, often facilitated by migrant networking, can help overcome the brain drain and profit both countries of origin and destination. Large emigration countries like China have succeeded in attracting back many of their skilled migrants to take up key positions in the public sector or universities, and help grow new business ventures. IOM's *World Migration* report mentions that around 80% of academics in the Academy of Sciences of China are former overseas Chinese students, and over 60% of overseas investments in China over the past two decades have come from overseas Chinese investors.

(3) Third, **policies to improve competition in the remittance transfer market** can lower the cost of remittances, increase the disposable income of migrants, and encourage further remittances. For example, due to regulatory changes implemented jointly by the US and

Mexican authorities, a Mexican migrant today pays about $11 to send $300 home, while six years ago the cost was around $26.

In general, governments and the private sector can promote the access of poor migrants and their families to formal financial services by expanding banking networks, allowing domestic banks to operate overseas and vice versa, providing ID cards to migrants, and drawing more micro-finance institutions and credit unions into the remittance market, and relaxing regulations.

What about bilateral and multilateral cooperation?

In the longer term, multilateral approaches to labor mobility between developing and developed countries may well be rewarding. A greater liberalization of the temporary movement of persons supplying services under GATS Mode 4 could bring large and sustained benefits for both developing and developed countries.

But the GATS mechanism focuses only on trade negotiations, while other dimensions such as security and national identity are also crucial. The movement of people is indeed a very different proposition from the movement of goods, and more difficult to regulate internationally because of the broader social and cultural implications. Bilateral agreements may need to precede multilateral solutions. Carefully designed, and rights-based, **bilateral agreements** between developed and developing countries offer useful ways of achieving benefits for both migrant sending and receiving countries.

While not all bilateral labor agreements have been successful, some of the most favorable employment and wage terms for labor migrants have been negotiated at the bilateral level. Good practices have emerged (e.g. workers from the Philippines in Hong Kong or Singapore, or Mexican and Caribbean agricultural workers in Canada).

What role can the World Bank play?

Since migration can be critical to poverty alleviation – our most important mission – it is essential for us to encourage policies that improve the developmental impact of migration and remittances.

To reinforce this, we have a program to improve remittance data; to better understand the development impact of remittances, to reduce the costs of remittance transfers, to strengthen financial infrastructures supporting remittance use, and to enhance the integrity of money transfer systems.

Research at the World Bank can also continue to provide insights into the economic gains to be expected from certain policies or changes in circumstances. We can ensure that the tools and methodologies used in such diagnostic and forecasting work are shared with policy makers and other agencies working on migration to strengthen their own capacities to manage migration.

Together with the IOM, we are currently holding joint discussions with a number of governments (Australia and UK) on possible ways to promote temporary, circular migration of unskilled workers to those countries. Similarly, with IOM and WTO we are developing a template of those elements of bilateral or regional labor agreements, which if applied to Mode 4 could broaden its application to greater mutual benefit.

With the IMF and the UN Statistics Department, we also lead a working group of statistical agencies to better record remittances in national statistics, and we co-chair - with the Bank for International Settlements- a Task Force to address the needs of international policy coordination for remittance payment systems.

We can also help by integrating migration into national and international development agendas, and by helping to establish sound financial and economic systems in low income countries in order to support the productive use of remittances, while keeping these clearly as private flows.

We encourage governments to work with international agencies to strengthen their capacities to collect and analyze data on their migration flows; and draw from some of the best practices in this field. The World Bank can offer useful tools for analysis and planning, and IOM some effective ways of applying and testing these tools on the ground.

The World Bank with its specific attention to development and poverty reduction, and IOM with its broader migration mandate and experience of policy implementing on the ground, are perfect partners in both testing and fostering coherence of policy making.

With this kind of cooperation, we hope to continue finding more coherent ways to respond to migration in a way that both developed and developing countries can benefit from it, and migrants are treated with the respect that they deserve.

Thank you.