

## CHAPTER TWO

# Migration and development: Realizing the potential of human mobility

---

**The role that migrants play in promoting development and poverty reduction in countries of origin, as well as the contribution they make towards the prosperity of destination countries, should be recognized and reinforced. International migration should become an integral part of national, regional and global strategies for economic growth, in both the developing and developed world.**

---

1. The issues of international migration, economic growth and development are linked in a number of ways. First, as explained in the previous chapter, deficits in development, especially an absence of jobs and sustainable livelihoods, are amongst the most important reasons why people migrate from their own country. Second, international migration contributes to the development of countries of destination by filling gaps in the labour market, by providing essential skills and by bringing social, cultural and intellectual dynamism to the societies that migrants have joined. A third linkage, and the focus of this chapter, is the impact of migration on growth, development and poverty reduction in countries of origin.

2. Migrants make a valuable economic, political, social and cultural contribution to the societies they have left behind. The remittances that migrants send home play an important part in alleviating poverty in countries of origin, and can also support the development process if the governments of those countries provide a conducive environment for economic growth. Migration helps to limit the level of unemployment and underemployment in countries that have an

excess supply of labour. Individual migrants and diaspora associations make financial and other investments in their homeland, strengthening the economy, serving as conduits for new ideas and enriching understanding between countries of origin and destination. When migrants go back to their own country, whether on a temporary or long-term basis, they take new skills, experiences and contacts with them, vital assets in a global economy that is increasingly knowledge-based.

3. Migration can, however, also result in the departure of a country's brightest, best-educated and most entrepreneurial citizens. This deprives the state of revenue and prevents countries of origin from gaining an early return on the investment they have made in the education and training of those people. Most seriously, when it involves the departure of professionals in sectors such as health and education, migration can adversely affect the supply and quality of essential services.

4. Today's challenge is to formulate policies that maximize the positive impact of migration on countries of origin while limiting its negative consequences. To achieve this objective, migra-

tion must form part of national, regional and global development strategies. The Commission is concerned that migration has generally not been considered an integral component of the development agenda, and that recent development initiatives have not always taken due account of international migration. The Commission also observes that many developing countries lack the capacity to forge this linkage between migration and development. It is in the interest of all countries that a different approach be adopted. Developing countries have to adjust to the realities of a competitive global economy, and coherent migration policies are an integral part of this process.

### **The migration of professional personnel**

**Cooperative relationships between labour-rich and labour-poor countries are required to promote human capital formation and the development of a global pool of professionals. Providing appropriate pay, working conditions and career prospects in order to retain key personnel must be an integral component of such strategies.**

5. Responding to the opportunities presented by a globalizing labour market, a growing number of people with professional skills are moving to work abroad, both between developing countries and from poorer to richer parts of the world. For the individuals concerned, international migration represents a ‘race to the top’, an effort to realize their potential, increase their income, improve their standard of living and add to the knowledge they have already gained.

6. All countries should make substantial investments in the education and training of their citizens in order to increase the competitiveness of their economies. If those economies are unable

to absorb all of the people who have acquired professional skills, then such people can contribute to the development of their own homeland by migrating, sending remittances home and returning to their country of origin on a temporary or longer-term basis, bringing the knowledge they have gained while living and working abroad. As recommended in Chapter One, temporary labour migration programmes have a valuable role to play in realizing these positive outcomes of international mobility.

7. For many countries, however, the departure of essential workers with professional skills can have an adverse impact on society and the economy and represents a serious loss to states that have made major investments in the education and training of such personnel. In many countries in sub-Saharan Africa, for example, the departure of essential workers has seriously impeded the delivery of health services to local populations, especially those living in remote rural areas. If this trend continues unabated it is likely to undermine the progress that has to be made in achieving the health-related objectives of the Millennium Development Goals. The trend is less acute, but is also of concern, in the education sector.

#### **The migration of health personnel**

The migration of professional personnel has a major impact on the health sector in sub-Saharan Africa. Since 2000, for example, nearly 16,000 African nurses have registered to work in the UK alone. Only 50 out of 600 doctors trained since Independence are still practising in Zambia. And it is estimated that there are currently more Malawian doctors practising in the northern English city of Manchester than in the whole of Malawi.

8. Training and retaining an adequate number of skilled personnel has become a key challenge

in many developing countries, and one that must be addressed immediately if a downward human resource spiral is to be averted. For when some people with professional skills decide to migrate from their own country, the pressure on others to act in a similar manner can become intense.

### ***Train and retain***

9. Putting the strategy of ‘train and retain’ into practice is a complex undertaking, and the Commission has serious doubts about quick-fix solutions that would seek to bar professional personnel from leaving their own country and finding employment elsewhere. Such an approach would not be consistent with human rights principles, would run counter to the globalizing tendency of the labour market, and would in any case be very difficult to put into practice. Migrants would also be discouraged from going back to their own country if they left it without authorization and felt that they would be penalized on their return.

10. Calls for states that recruit foreign professionals to provide direct financial compensation to the countries from which those personnel come are not practicable. First, the professionals in question often work in more than one country, and so it is not clear which country would be responsible for paying compensation; second there is some debate about where compensation would be paid, and third there is no guarantee that compensation payments would necessarily be reinvested in training and retaining strategies. It is also doubtful that the codes of conduct some destination countries have formulated in an attempt to introduce a degree of self-regulation in the recruitment of foreign professionals are effective. The practical impact of such codes has not yet been demonstrated, and the evidence gathered by the Commission shows that em-

ployers can easily exploit loopholes in the way they function.

11. Other approaches are required if this issue is to be addressed in a coherent manner. First, it is essential for foreign aid and investment to be more carefully directed towards countries and sectors that have been particularly affected by the loss of their professionals. Co-investment programmes are one way to achieve this. Developing countries have a large pool of young people with the potential to acquire the skills required by their own and other countries. But they will only be able to acquire such skills if adequate resources are available to provide them with the education and training they need. Co-operative relationships between labour-rich and labour-poor countries are required to promote co-investment in the process of human capital formation and the development of a mobile and global pool of professionals. In this respect, the Commission welcomes efforts such as those of the United Kingdom’s Department for International Development to invest in the healthcare capacity of India and other developing countries.

12. Second, both private and public sector employers in developing countries must understand that professionals often seek employment abroad or move to alternative jobs at home because their pay, working conditions and career prospects are currently so poor. This is especially the case for women, who are concentrated in professions such as nursing and teaching that tend to be undervalued, and who may be subject to gender-based discrimination and harassment in the workplace. Developing country enterprises and institutions have an obligation to be good employers, to re-evaluate traditional approaches to social services professions, and to create a better environment for home-grown talent to flourish than many have done so far.

13. Third, countries that are currently recruiting skilled personnel from abroad must engage in better workforce planning and invest more resources in the training of their own citizens, so as to fill impending and projected gaps in the national labour market. It is irresponsible for the world's more prosperous states to ignore these responsibilities and then to look for a quick solution to their human resource problems through the active recruitment of professional personnel from developing regions.

### **Migrant remittances: facilitating the flow**

**Remittances are private money and should not be appropriated by states. Governments and financial institutions should make it easier and cheaper to transfer remittances and thus encourage migrants to remit through formal transfer systems.**

14. There has been a remarkable expansion in the volume of remittances sent home by international migrants. While accurate figures are hard to obtain, the World Bank estimates that the annual value of formally transferred remittances in 2004 was about \$150 billion, representing a 50 per cent increase in just five years. Almost half of these remittances are transferred between countries in the developing world. It is also noteworthy that migrant women and lower-paid migrants at times transfer a higher proportion of their income than others.

15. According to UN estimates the leading recipients of remittances in 2004 were Mexico (\$16 billion a year), India (\$9.9 billion) and the Philippines (\$8.5 billion), although remittances as a share of GDP are much higher in smaller countries such as Jordan (23 per cent), Lesotho (27 per cent) and Tonga (37 per cent). Compared with other developing regions, sub-Saharan Africa receives the low-

est level of remittances, amounting to just 1.5 per cent of total global remittances.

16. Remittances are now close to triple the value of the Official Development Assistance (ODA) provided to low-income countries and comprise the second-largest source of external funding for developing countries after Foreign Direct Investment (FDI). Significantly, remittances tend to be more predictable and stable than FDI or ODA. They continued to rise during the Asian financial crisis, for example, even as flows of FDI fell. This is not an isolated case. Evidence collected by the World Bank indicates that when a country encounters political or economic difficulties, citizens who are living and working abroad support their compatriots by increasing the amount of money they send home.

17. In many recipient countries, remittances now play an essential role in sustaining national and local economies. Remittances that are transferred formally can provide an important source of foreign exchange to recipient countries, boost the capacity of the financial sector, help to attract subsequent investment and provide some leverage for sovereign loans.

18. Remittances evidently provide the most direct and immediate benefits to the people who receive them, many of whom, the World Bank has established, are amongst the poorest members of society. Remittances help to lift recipients out of poverty, increase and diversify household incomes, provide an insurance against risk, enable family members to benefit from educational and training opportunities and provide a source of capital for the establishment of small businesses. When remittances are used to purchase goods and services, or when they are invested in community-based projects or in ventures that demand labour, they also benefit a broader range of people than those who receive them directly from relatives working abroad.

### **Remittances and household incomes**

Even though sub-Saharan Africa receives the lowest proportion of remittances of all developing regions, they have a very significant impact there. Household incomes in Somalia, for example, are doubled by remittances; while financial transfers provide 80 per cent of the income of rural households in Lesotho.

### **Transfer costs and systems**

19. A number of principles must be respected if the impact of remittances on development and poverty reduction is to be maximized. First, it is essential to recognize that remittances are a private resource, belonging to migrants and their families. They should therefore not be appropriated by the state, nor should they be subject to undue official regulation.

20. Second, the Commission strongly endorses the need to lower the cost of remittance transfers, which can be scandalously high – up to 25 per cent of the amount remitted in certain cases. The introduction of better technology is one way to reduce transfer costs, and electronic transfer systems can also help to increase the security of transfers.

21. Another means of reducing costs is to foster greater competition within the formal transfer system, given the propensity of monopoly service providers to maximize the charges they extract from their customers. In certain destination countries, the choice of service providers is restricted by the limited presence of branch outlets, particularly in areas outside the major cities. Banks and postal services that are already present in such areas could help to fill this gap, providing migrants with an alternative to both highly-priced commercial transfer services and to informal remittance transfer services.

22. Third, these initiatives must be combined with greater transparency in the financial services sector, so that migrants are able to make an easy comparison between the cost of transferring remittances with different service providers. Financial sector reform is the key to unlocking this potential. Migrant associations and civil society institutions also have an important role to play in this respect, by collecting, analyzing and disseminating relevant information on the different transfer services that are available to people who wish to remit.

23 Fourth, financial literacy training programmes should be established to help migrants increase their understanding of, and access to, formal banking systems in destination countries, while the development of credit unions and community-based micro-finance institutions represents another way of extending financial services to remote rural areas in countries of origin.

24 Such initiatives will not only generate a higher rate of remittance transfer at a lower cost, but will also provide an incentive for remittances to be transferred through formal systems. In some countries, only half of all remittances pass through official banking channels because migrants are discouraged from using them by cumbersome procedures, high fees and poor rates of exchange. Formal and recorded remittance transfers are preferable to informal flows because they reduce the risk that migrants and recipients will be exploited by clandestine money laundering networks.

### **Maximizing the developmental impact of remittances**

**Measures to encourage the transfer and investment of remittances must be combined with macro-economic policies in countries of origin that are conducive to economic growth and competitiveness.**

25. The Commission underlines the importance of maximizing the impact of remittances in countries of origin. It does not consider that a sharp distinction can be made between the impact of remittances on development and on poverty reduction. Whether remittances are used for the purposes of investment or consumption, they bring important benefits to the households, communities and countries that receive them. That being said, the volume of remittances received by many countries of origin is now so high, both in absolute terms and in relation to other sources of finance, that it is essential to harness their potential for the promotion of longer-term economic growth.

26. To achieve this objective, migrants and the recipients of remittances must be able to make informed decisions about the use of these resources. Households and communities in countries of origin should be assisted to make effective use of remittance receipts through the provision of appropriate training and access to micro-credit facilities. Some studies indicate that women make the most effective use of remittances, therefore special efforts should be made to target women in such initiatives. An additional option is to enable migrants to exercise greater control over the use of the money they remit, by offering them opportunities to purchase goods or services directly, rather than leaving such transactions in the hands of household members.

27. Home-town associations and diaspora organizations can play an important role in collecting and transferring collective remittances to their place of origin, which can be used for infrastructural and other projects that bring benefits to whole communities rather than to individual households. There is also scope for such collective remittances to be combined with matching funds provided from public sources or by development agencies. The record of such initiatives appears to

be mixed, however, and the Commission recommends that they be properly evaluated so that lessons can be learned from past experience.

28 The Commission acknowledges the efforts made by organizations such as the World Bank, the Inter-American Development Bank and other regional development banks to research, analyse and suggest principled policy frameworks for financial sector reform and the productive investment of migrant remittances. These bodies must continue with this work, supporting states in the formulation and implementation of policies that seek to promote the effective use of migrant remittances.

### **A conducive environment**

29. While every effort must be made to maximize the developmental impact of migrant remittances, this issue must be seen in its proper context. First, it is essential to recognize that the developmental impact of migrant remittances depends to a large extent on the quality of governance in countries of origin and the macro-economic policies pursued by those states. Without sound financial systems, stable currencies, a favourable investment climate and an honest administration, even large-scale and long-term remittance receipts are unlikely to contribute to sustainable growth.

30. Second, the growing volume of migrant remittances and the high level of visibility which they have enjoyed in recent years may give the impression that they can be an effective substitute for ODA. This is not a view supported by the Commission, which reiterates its earlier conclusion concerning the private nature of remittance receipts.

31. Third, remittances have their own constraints and limitations. The evidence suggests that migrants remit less to their country of origin

the longer they spend abroad. Second generation migrants are less likely to remit to the extent that their mothers and fathers did. In some countries that have sizeable numbers of their citizens working abroad, the receipt of large-scale remittances may actually be a disincentive to the introduction of reforms that would provide a more effective basis for long-term economic growth. Furthermore, the benefits of remittances are not shared equally, and may exacerbate the socio-economic disparities that exist between different households, communities and regions in countries of origin. The receipt of remittances can also create a 'culture of migration' in emigration countries, as a result of which young people can place excessive hopes on finding an opportunity to move abroad. Alternatively, relying on remittances may be a disincentive for some to work at all.

32. Finally, when calculating the economic benefits of remittances, there is a need to factor in a number of countervailing issues. First, the opportunity costs of migrants' incomes being largely being spent in destination countries deprive countries of origin of the demand stimulus to grow their economies. Second, high social costs can be incurred when migrants – husbands and wives, mothers and fathers, sons and daughters – decide to leave their own household and community in order to work abroad. There is also evidence to suggest that the pressure to remit can place a significant financial and psychological burden on migrants, especially those who have no alternative but to work in insecure and low-income jobs.

## **Diasporas and development**

**Diasporas should be encouraged to promote development by saving and investing in their countries of origin and participating in transnational knowledge networks.**

33. Countries of origin can gain considerable advantage by harnessing the talents and resources of diaspora populations, which have grown significantly in size and scope as a result of the recent expansion of international migration. Many countries now have a considerable proportion of their citizens living and working abroad, and those migrants often come together to form diaspora organizations.

34. Such organizations take a variety of forms. As indicated earlier, they include Home Town Associations (HTAs), which enable people from the same area in the country of origin to keep in touch with each other, as well as professional associations and organizations based on common interests such as sport, religion, gender, charitable work and development. Such organizations commonly collect donations from their members and send them back to the country of origin for specific purposes, such as: the refurbishment of a school, the purchase of a generator or the establishment of a day care centre for the children of working mothers, to give just three examples. In addition to such financial flows, diaspora organizations also usually participate in the political, social and cultural affairs of their own country and community.

### **Home Town Associations**

Mexican HTAs have a long history – the most prominent were established in the 1950s. There are currently over 600 Mexican HTAs in 30 cities in the USA. They support public works in their localities of origin, including funding the construction of public infrastructure (e.g. new roads and road repairs), donating equipment (e.g. ambulances and medical equipment) and promoting education (e.g. establishing scholarship programmes, constructing schools and providing school supplies).

35. The Commission commends the positive impact of diaspora and other migrant organizations that are constructively engaged in development initiatives in countries of origin, particularly through the targeted transfer of collective remittances. One way to enhance this process is for governmental and non-governmental organizations to provide matching funds for such remittances, on the condition that they are put to effective developmental use.

36. It is of equal importance for those who are providing matching funds to ensure that diaspora organizations do not represent narrow regional, political or personal interests. Despite their potential value, diaspora organizations can be exclusionary; pursuing divisive agendas in countries of origin and even contributing towards instability and the prolongation of armed conflict. If their developmental impact is to be maximized, it is essential for such organizations to respect the principles of human rights, good governance and gender equity.

### **Trade, investment and knowledge networks**

37. Individual migrants and diaspora organizations can also play an important role in promoting trade and investment in their countries of origin. Where feasible and appropriate, financial investment can best be promoted by providing migrants with foreign currency accounts or foreign currency denominated bonds in their country of origin, so that they are not at risk of currency devaluations if they keep their savings there.

#### **Diaspora investments**

There are some 30 to 40 million overseas Chinese living in about 130 countries. The OECD estimates that in 2004, investments made by overseas Chinese in the People's Republic of China comprised some 45 per cent of the country's total FDI.

38. Training programmes and business counselling can also help migrants to develop the entrepreneurial skills and business acumen needed to engage in successful trade and investment activities. In this respect, the Commission underlines its view that if the developmental impact of international migration is to be maximized, countries of origin must strive to create a healthy business environment, characterized by sound legal frameworks, effective banking systems, honest public administration and a functioning physical and financial infrastructure. The Commission also welcomes the proposal of the Africa Commission to establish an 'Investment Climate Facility' in Africa with the support of the G8. The ODA provided to countries of origin by the world's more prosperous states must evidently support the attainment of such objectives.

39. The Commission endorses the efforts being made to mobilize diaspora knowledge networks, including initiatives taken under NEPAD. An initial step in this process is to establish an inventory of the skills base within the diaspora, an objective which is most effectively achieved by supporting the establishment of professional migrant organizations and other civil society entities that incorporate migrants. A second step is to develop programmes that facilitate the transfer of skills and knowledge from the diaspora to their countries of origin. This might entail physical return, by means of short-term secondments or sabbatical visits, but can also involve 'virtual return', using the video-conferencing and internet facilities that are increasingly available in even the poorest of countries.

40. Finally, while welcoming the extent to which some countries of origin have recognized and realized the developmental potential of the diaspora, there are certain dangers in this strategy. Development must begin at home. Migrant

remittances and diaspora trade and investment can make an important contribution to growth, but should not become a substitute for an economic policy that develops and draws upon the talents of people who have remained in their country of origin.

41. In addition, migrants and members of diasporas must be left to make their own choices concerning the way and the extent to which they engage in the development of their countries of origin. In this respect, the Commission expresses its concern about the actions of governments that have sought to place undue demands on the financial and other resources of the diaspora.

## **Return and development**

---

### **States and international organizations should formulate policies and programmes that maximize the developmental impact of return and circular migration.**

---

42. The Commission concludes that the old paradigm of permanent migrant settlement is progressively giving way to temporary and circular migration. Each year, for example, some two million Asian workers leave their own countries to work under short-term employment contracts, both within and outside the region. The Commission underlines the need to grasp the developmental opportunities that this important shift in migration patterns provides for countries of origin.

43. As explained in Chapter One, continued efforts are needed to ensure the portability of pensions, so that migrants are able to return to their country of origin and have access to the resources they need for both consumption and investment. Portability demands the establishment of effective implementation arrangements between countries of origin and destination.

44. Given the changing pattern of international migration, the notion of ‘brain drain’ is a somewhat outmoded one, implying as it does that a migrant who leaves her or his own country will never go back there. In the current era, there is a need to capitalize upon the growth of human mobility by promoting the notion of ‘brain circulation’, in which migrants return to their own country on a regular or occasional basis, sharing the benefits of the skills and resources they have acquired while living and working abroad. As also recommended in the previous chapter, countries of destination can promote circular migration by providing mechanisms and channels that enable migrants to move relatively easily between their country of origin and destination.

45. Countries of origin also have important responsibilities in this respect. People will be less inclined to leave and more likely to return to countries that can offer their citizens sustained economic growth, a favourable business climate and decent working conditions. In creating such conditions and becoming more competitive, countries of origin will not only ensure that migration becomes a choice rather than a necessity, but will also encourage return and circular migration, maximize the impact of remittances and encourage diaspora populations to invest in their homeland.