Impact of Migration on Economic and Social Development: Review of Evidence and Emerging Issues

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Kunda Datar Memorial Lecture, 2010
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Jason De Parle wrote in an article entitled “World Banker and His Cash Return Home” in New York Times dated March 17, 2008, “No one has done more than Mr. Ratha to make migration and its potential rewards a top-of-the-agenda concern in the world’s development ministries”. Besides migration and remittances, his research reflects a deep interest in innovative financing for poor countries, diaspora bonds, future-flow securitization, shadow sovereign ratings and South-South foreign direct investment. He has been advisor to many governments and played a leading role in international and inter-governmental forums. He produced the first global tally of remittances, the money that migrants send home, and stunned experts with the discovery of their quantum. Many people think that his work has stimulated governments to undertake projects which could benefit millions of people.

He has often been invited to give speeches by different institutions. He has been interviewed by leading TV, radio and print media. Before he joined the World Bank, he worked as a regional economist for Asia at Crédit Agricole Indosuez (Singapore), assistant professor of Economics at the Indian Institute of Management (Ahmedabad) and economist at the Policy Group (New Delhi). He held the Chair of the Advisory Board, Migrating Out of Poverty Research Consortium, a multi-disciplinary collaboration among 6+ universities and research institutions in Africa, Asia and Europe. He has drafted plans for an “International Remittances Institute” to provide cheaper ways to send money and more options for investing it.

He obtained his Ph.D. in Economics from the Indian Statistical Institute, New Delhi where he also worked as a visiting lecturer and helped build a CGE model of the Indian economy. He was honoured with Ruchi Foundation Award and Orissa Gaurav Award 2008.
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Impact of Migration on Economic and Social Development: Review of Evidence and Emerging Issues

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I Introduction

This paper reviews the literature on the development impact of migration and remittances on origin countries and on destination countries in the South. International migration has development implications for origin and destination countries in the South and in the North. Some 215 million people or three per cent of the world’s population are believed to live outside their countries of birth (United Nations 2009). While the focus in the literature has been on South-North migration, the number of migrants between developing countries is estimated to be as large as the number of migrants moving from South to North (Ratha and Shaw 2007). Thus, the development implications of migration and need to manage in-migration are as relevant to the South as they are to the North. Although violent conflict, political persecution and trafficking are important causes for international mobility, more than nine out of 10 international migrants move for economic reasons. By and large, migration has positive economic impact on the migrant households, the sending country as well as the receiving country.

The paper is organized as follows. Section II provides a discussion of the development implications (both economic and social) of migration for origin countries. Section III discusses the available evidence on the impact of migration on destination countries in the South. Section IV concludes with a brief discussion of selected emerging migration issues such as environment and climate change, fertility and demographic patterns, democratic processes, and national security. Some policy recommendations for enhancing the impact of migration on economic and social development are also noted.1

1 While some topics are new in relation to migration, others have been widely discussed by practitioners in this context. However, the academic literature is still scanty in these areas making them ‘emerging topics’ in relation to the existing migration research.
II Development Implications of Migration for the Origin Countries

Migration is a decision that makes an impact on the welfare of the household, home community and in the end the whole economy in various ways (Azam and Gubert 2006). The welfare implications of migration on the origin country are most often, though not always, sizable and positive. The main channels through which migration alleviates poverty are increased incomes from remittances, ability to smooth consumption, access to finance for starting new business, as well as tapping on to the knowledge and resources provided by the international community of the migrant diaspora. Besides pure monetary gains, migration and remittances allow for higher investment in health care and education. Yet, not the entire impact is positive: exploitation of migrants by unscrupulous recruiters or employers is reportedly widespread; separation from family can mean stress for migrants; and large scale immigration can pose serious challenges to a nation’s identity and sovereignty.

Economic implications for the Country of Origin

While migration has economic, social and cultural implications for both the sending and host societies, remittances which the migrants send home are perhaps the most tangible and least controversial link between migration and development (Ratha 2007). According to the official estimates, migrants from developing countries sent over $315 billion to their origin countries in 2009, three times the size of official development assistance (Ratha et al. 2010). The true size of remittances including unrecorded flows through formal and informal channels is likely to be even higher. While remittances to the developing countries declined modestly in 2009 because of the global financial crisis, these flows have remained resilient compared to private capital flows, and have become even more important as a source of external financing in many developing countries.

Migration and remittances have both direct and indirect effects on the welfare of the population in the migrant sending countries. A cross-country study of 71 developing countries found that a 10 per cent increase in per capita official international remittances will lead to 3.5 per cent decline in the share of people living in poverty (Adams and Page 2005). Evidence from Latin America, Africa, South Asia and other regions suggests that remittances reduce the depth and severity of poverty, as well as indirectly stimulate economic activity (Adams 1991, Lachaud 1999, Fajnzylber and Lopez 2007, Adams 2006b, Gupta et al. 2007, Anyanwu and Erhijakpor 2010, Ajayi et al. 2009). The dramatic increase in remittances was responsible for one-third to one half of the overall reduction in poverty.

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Migration and Development


Remittances have an income stabilizing effect at both the macroeconomic level (World Bank 2006b, Chami et al. 2009) and household levels. Historically, remittances have tended to rise in times of economic downturns, financial crises and natural disasters because migrants living abroad send more money to help their families back home (World Bank 2006b, Yang 2006, Yang and Choi 2007, Mohapatra et al. 2010). In Ghana, remittances were found to help households to minimize the effects of economic shocks on household welfare (Quartey 2006). Remittance-receiving households in Ethiopia used their cash reserves and thus avoided selling their livestock to cope with drought (Mohapatra et al. 2009). Recent evidence from Mali confirms that a substantial part of remittances is saved for unexpected events and the migrant thus serves as an insurer for the whole household (Ponsot and Obegi 2010).

Cross-country analysis indicates that remittances are related to greater income inequality in Africa (Anyanwu and Erhijakpor 2010) and Latin America (Barham and Boucher 1998). However, other studies suggest that migration enhances the welfare of the rural poor disproportionately, for example, in Mexico (Stark and Taylor 1980), rural Egypt (Adams 1991) and other regions (Portes 2009). Migration may also raise inequality initially, as only the relatively well-off have the resources to send workers abroad and therefore, receive remittances (Lipton 1980). However, as migrant networks are established in the destination countries, the cost of migration falls so that the less well-off can afford to migrate (Taylor et al. 2005, Koechlin and Leon 2007, Docquier et al. 2010a).


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3 The consumption smoothing effect of remittances allows households to engage in high-risk but possibly more profitable economic activities that have a poverty-reducing effect, but that in the absence of migration would have been difficult. See Morduch (1994) for discussion on stochastic poverty causing chronic poverty in the absence of credit markets.

4 The impact of remittances on inequality depends on the initial position of the recipients in the income distribution: in Mexico 61 per cent of the remittance-receiving households fall in the first quintile of non-remittance income, whereas in Peru fewer than six per cent of the remittance-receivers belong to the lowest quintile (Fajnzylber and Lopez 2007, p. 6).

5 In some cases migration is a response to failures in the market for insurance and credit so that the emigration of one household member works as a second best solution to relax the credit constraint of the household (Taylor 1992).
Factoring the remittance inflows correctly into macroeconomic analysis is also likely to improve the credit rating and external debt-sustainability of the remittance-receiving country (Abdih et al. 2009, Avendano et al. 2009, IMF 2010, Ratha et al. 2010). Because they are a large and stable source of foreign currency, remittances are likely to curtail investor panic and prevent sudden current account reversals during a crisis (Bugamelli and Paterno 2006, Gupta et al. 2007). Furthermore, future flows of remittances can be used as collateral by governments and private sector entities in developing countries to raise financing in international capital market (Ketkar and Ratha 2005, 2009). These innovative financing mechanisms can be used to raise funds for development projects such as low-income housing or water supply.

The diaspora serves as a link between the sending and receiving communities, expands the opportunities to access international financing and facilitates networking. It also contributes through philanthropic remittances (Goldring 2004) and development of their former communities through hometown associations. It leads to financing of development projects such as schools, health facilities and community infrastructure such as the “Tres Por Uno” programme in Mexico (Ghosh 2006, Orozco 2009, World Bank 2006b, UNDP 2009). Access to information through the diaspora and the skills learned by returning migrants can improve technology, management and institutions in the sending country, and lower the fixed cost and knowledge requirements for setting up an international business (Carling 2005). Emigrants may also be an important supply of foreign investment as their knowledge of their home country institutions (and perhaps a greater ability to manoeuvre within the home country’s regulatory framework) may mean that they incur lower investment costs and/or obtain higher returns, compared to other international investors.

In the current environment of credit crunch after the financial crisis, several countries have started looking at the diaspora abroad as a potential source of capital (Ketkar and Ratha 2010). In the past, Israel and India raised over $35 billion of development financing by issuing diaspora bonds (Ketkar and Ratha 2009). For the countries, diaspora bonds represent a stable and cheap source of external finance, especially in times of financial stress. Diaspora bonds have several advantages, both for the issuer and for the emigrant who buys the bond. Through retailing at small denominations, issuers can tap into the wealth of relatively poor migrants, although diaspora bonds are not necessarily limited to migrants. Migrants are expected to be more loyal than the average investors in times of distress. They might be especially interested in financing infrastructure, housing, health and education projects.\(^6\)

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\(^6\) Ratha et al. (2008) estimate that Sub-Saharan African countries can potentially raise $5-10 billion per year by issuing diaspora bonds. Countries that can potentially consider diaspora bonds are Bangladesh, Colombia, El Salvador, Ghana, India, Jamaica, Kenya, Mexico, Morocco, Nepal, Nigeria, Pakistan, Philippines, Romania, Senegal, South Africa, Sri Lanka, Uganda, Zambia and
Migration contributes to human capital formation. Growing evidence suggests that the income from remittances is disproportionately spent on education and health rather than everyday consumption (Adams 2005, Adams et al. 2008, World Bank 2006b, p. 126, Valero-Gil 2008, see Nagarajan 2009 for South Africa). Once in school, the children of migrants may be more likely to finish their education as the increased income from remittances provides additional financial resources and better prospects (Cox-Edwards and Ureta 2003 for El Salvador, Yang 2008 for Philippines, UNDP 2009). Evidence from rural Pakistan suggests that temporary migration is associated with higher school enrolment, especially for girls (Mansuri 2006). Furthermore, migration has been observed to increase health knowledge in addition to the direct effect on health, which has led to lower rates of infant mortality and higher birth weights in Mexico (Hildebrandt and McKenzie 2005). Visiting and returning migrants may also bring back health-improving practices such as drinking safe water and better sanitation (UNDP 2009, p. 79).

On the other hand, migration might also present a threat to migrants as certain jobs expose migrants to occupational hazards such as tuberculosis, pneumoconiosis and workplace injury among mine workers (Kahn et al. 2003). Increased mobility of workers has contributed to a rapid spread of communicable diseases such as HIV (Decosas et al. 1995, Lurie 2000, Lurie et al. 2000, Brummer 2002). For instance, Kane et al. (1993) find that 27 per cent of the male Senegalese migrants were HIV positive compared to one per cent for non-migrant males. Sexually transmitted infections are also more likely to spread among migrants as well as their permanent partners residing in the sending communities (Kahn et al. 2003).

High-skilled emigration or the so-called “brain drain” can imply a loss of public resources invested in their education. It can reduce the sending country’s productive capacity, and worsen the business environment, especially in small economies. The emigration of the highly skilled can be particularly important in the education and health sectors in small countries that face severe shortages of health workers (Docquier et al. 2010b). Moreover, the departure of doctors may result in underemployment of nurses and other auxiliary staff (Commander et al. 2004). However, as argued by Dustmann et al. (2010), return migration can lead to mitigation of the brain drain, if not a net “brain gain”. When the migrants return, they have usually acquired skills that are needed in the sending community as manifested by a sizable wage-premium paid to the returned migrants (Wahba 2007). Furthermore, Mountford (1997) and Stark (2004) suggest that the possibility of emigrating abroad increases the interest in and

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7 Contradiction evidence has been found in Mexico (McKenzie and Rapoport 2009).
8 For example, the vacancy rate in Ghana’s public sector health was 47 per cent for doctors and 57 per cent for nurses in 2002 (Dovlo 2003).
returns to higher education which can increase the total number of highly skilled persons in the home country also (World Bank 2006b, p. 68). Despite concerns about the detrimental effects of brain drain on health, the shortage of health professionals in Africa is likely to stem from causes entirely unrelated to international migration (Clemens 2007) such as fragmented labour markets and insufficient public financing (Lucas 2006).  

Evidence on the relationship between remittance inflows and economic growth in migrant-sending countries remains inconclusive. Empirical studies have found little proof in support of a positive impact of remittances on economic growth (IMF 2005, World Bank 2006b, Spatafora 2005, Barajas et al. 2009, Singh et al. 2009). In general, studies focusing on the labour supply response of the remittance-recipient households tend to find that remittances lower work efforts and hence reduce long-term growth (Azam and Gubert 2006, Chami et al. 2003). Other studies find that remittances improve financial access and financial development and therefore, stimulate growth (Toxopeus and Lensink 2007, Giuliano and Ruiz-Arranz 2005, Gupta et al. 2007). Furthermore, the merit of remittance flows might lie more on increasing the level of income for the poor rather than growth of the economy as a whole (Jongwanich 2007). Empirical evidence from Latin America and Cape Verde suggests that remittances can lead to exchange rate appreciation, which can reduce the competitiveness of the tradable sector, the so-called Dutch Disease (Bourdet and Falck 2006, Fajnzylber and Lopez 2007, Gupta et al. 2007). However, remittances are less likely than natural resource windfalls to result in persistent exchange rate misalignment, while the exchange rate implications of relatively stable remittance flows are likely to be easier to manage than a comparatively abrupt shock due to a natural resource windfall (Ratha 2003, Rajan and Subramanian 2005, IMF 2005). In general, the inconclusive results on the impact of remittances and growth are largely due to the difficulty of separating the cause from the effect: if remittances react counter-cyclically to growth, then the negative relationship between the two is the result of reverse causality running from growth to remittances, not vice versa.

9 On the other hand, temporary migration in order to access medical services (see the case of Hong Kong nationals in Canada discussed in Preston et al. 2007) and the ever-growing phenomenon of medical tourism from North to South increases the demand for health care services in the destination countries. Experts estimate that medical tourists will bring $2.2 billion annually to India alone by 2012 (Hutchinson 2005). Increased demand by wealthy tourists has increased the number of medical providers also in Argentina, Costa Rica, Cuba, Jamaica, South Africa, Jordan, Malaysia, Hungary, Latvia and Estonia. This might spill over even to the domestic population through better access to health care. But the net effects of this medical ‘brain gain’ have still not been researched.

10 Note that the gains from migration analysis discussed in Box I show that the relationship between in-migration and economic growth in the migrant-receiving country is positive.
Social Impact on the Origin Country

At its best, migration can be a rewarding experience that is made in the interest of the household welfare, but in most cases moving to another country and being separated from one’s immediate family takes place at considerable emotional cost (D’Emilio et al. 2007). Temporary circular migration increases the risk for family breakdown, fragmentation of social networks and psycho-social stress (Kahn et al. 2003). The emotional impact is not just limited to the migrants themselves, but also to the family left behind. In poorer households, where the whole family cannot afford to emigrate together, they emigrate one member at a time resulting in eroded family structures and relationships. As described by D’Emilio et al. (2007), the longer the separation between the migrating parents and their children, the more children lose parents’ reference in the management of the household, their authority and their role as providers of love and material care. Parents are gradually replaced by other family members, or the children take upon themselves the task of parenting. The feelings of rejection, abandonment and loss follow the children left behind, and cannot be compensated by the material gifts and remittances sent from abroad. To some extent, the recent technological advances in terms of e-mail and affordable telephone calls might allow the transnational families to form and foster social ties even at a distance (UNDP 2009, p. 76).

Separation from the parents has also long-term consequences in all aspects of the children’s lives. Evidence from Mexico points that the offspring from migrant families have lower educational attainment than other children, as the boys of the migrants are more likely to opt for migration themselves (implying decreasing returns to education) while the domestic workload of the daughters increases (McKenzie and Rapoport 2006). Adolescents left behind are also commonly over-represented in adapting risky behaviour, and absence of mothers has been found to be associated with the involvement of children with violence. While 80 per cent of children in conflict with the law in Jamaica had their mothers absent, it was the case for only 30 per cent of other children (D’Emilio et al. 2007). Abuse of drugs and alcohol as well as reduced school attendance has been observed among children left behind by migrants. On the other hand, evidence from Mozambique suggests that migration could also strengthen social networks as the higher income from remittances reduces the cost for the migrant-sending household to participate in these networks (Gallego and Mendola 2010).

11 Interpreting the high divorce rates among migrants is not always straightforward. While it is true that protracted separation can take its toll on family cohesion, Lucas (2005, 268) points out that those whose marriages were unstable to begin with are more likely to migrate. It is also true that migration provides new economic opportunities for women, and increased economic independence may provide them an escape from a failed marriage. Furthermore, migration might provide an exit strategy in societies where divorce is not an option.
This closer inter-family collaboration can, to some extent, remedy the absence of within-family cohesion and safety nets.

Even though migration is usually a voluntary and planned choice of the individual, the reality might be different from the original expectations. Often the intended aspirations of the migrants do not materialize and many are trapped in trafficking. Young women are exploited as sex workers abroad. In many cases they are promised legitimate work at the destination, but forced into prostitution upon arrival (see e.g. Kebede 2001). Also children are commonly victims of trafficking that can lead to life-long trauma. The abuse of migrants by the middle men or the recruitment agencies is a growing problem as the migration flows increase and the phenomenon becomes more commercialized. The problem expands from pure trafficking into working in slave-like conditions as the international market for labour allows for trading with workers’ contracts leading to abuse of individual migrants. Abuse of the migrant workers has led to calls for further regulation of the recruitment agencies across migration corridors (see e.g. Agunias 2010).

III Impact of Migration on the Destination Countries in the South

Unlike commonly believed, around half of the official international migration from the South is to other developing countries rather than wealthier countries in the North (Ratha and Shaw 2007). Official statistics are likely to under-report South-South migration, especially between contiguous countries. Almost 80 per cent of the South-South migration is estimated to take place between countries with contiguous borders because of lack of border controls.

Economic Implications in the Destination Country

Though the channels transmitting welfare impact of migration on the destination countries are well-known in the literature, there is limited empirical evidence from the South quantifying the impact. A brief overview of the evidence from the North is presented in Box 1. Migration of people, just as international trade, benefits both the sending country and the receiving country (van der Mensbrugghe and Roland-Holst 2009). The welfare gain for the destination country because immigration increases the supply of labour, which raises employment, production and thus GDP (Ortega and Peri 2009). Immigration step the productivity of the receiving economies through the contribution of migrants to innovation (see Box 1). Immigration also advances productivity because immigrants free the local workforce to move to higher productivity occupations.

12 For instance, over 50 per cent of migrant domestic workers surveyed in Kuwait reported physical (including sexual), psychological and verbal abuse at their workplace. Female workers are more vulnerable to sexual abuse by their male employers who are often their visa sponsors (Chammartin 2005).
Despite the benefits of immigration, the public and policy-makers at the destination country usually believe that immigration can become an economic burden, as it is feared to lead to loss of jobs, heavy burden on public services, social tension and increased criminality (UNDP 2009, p. 70) despite the evidence to the contrary.\footnote{As noted by Hanson (2009), the economic benefits for allowing freer immigration to destination countries “may simply not be worth the political hassle.”} The main channels for negative economic outcome for the destination countries are increased job competition that allegedly brings down the wages for the local population, and the increased fiscal burden for caring for a growing population of immigrants.

Box 1: Global Gains from Migration

Even though quantitative estimates of the direct gains from migration are difficult to obtain, economic simulations suggest that an increase in South-North migration would produce substantial income gains in the long-run which could exceed those from comprehensive trade liberalization. The destination countries in the North would capture one-fifth of the overall benefits of increased immigration (World Bank 2006, Winters \etal\ 2003, Anderson and Winters 2008, van der Mensbrughe and Roland-Holst 2009). Documented welfare gains from South-North migration work primarily through the increase in the available labour force. Ortega and Peri (2009) found that immigration increases employment in the destination countries in the North one for one, implying no crowding-out of natives. This result implies that immigration increases the total GDP of the receiving country without affecting average wages or labour productivity.

Immigration boosts productivity through innovation and specialization. Data from the United States show that one per cent rise in the share of migrant university graduates increase the number of patent applications and grants issued per capita (Chellaraj \etal\ 2008, Hunt and Gauthier-Loiselle 2008). However, burdensome regulatory requirements and procedures that foreign doctors, engineers, architects and accountants have to meet in order to practice in the destination country can impose significant financial and other costs on these highly skilled immigrants (Mattoo and Mishra 2009). The less-educated immigrants increase labour productivity as they complement the uneducated local labour force that, based on their knowledge of the local language and institutions, will be better able to specialize in more productive complementary tasks (Peri and Spaber 2009). Immigrants are often willing to do jobs that locals no longer are interested in, such as care for the elderly (UNDP 2009, p. 85). \textit{Also}, the availability of low-cost childcare by the immigrants can enable young local women to go back to work (Kremer and Watt 2006), boosting economic development further.

Incoming migrants need to be integrated into the labour force which intensifies the competition for existing jobs. In times of economic downturn, the general public and the policymakers tend to become more worried about the potentially adverse impact of immigration on natives’ opportunities, and immigrants can be used as scapegoats to blame rising unemployment even though no strong evidence exists to show that immigrants take natives’ jobs (Papademetriou \etal\ 2009).\footnote{In Italy, government statistics agency publicly blamed immigration for the country’s rising unemployment in 2008, while rising unemployment in Spain led the government to launch a programme where unemployed immigrants were paid to return to their home countries. In the first few months of the scheme, less than 1,400 out of 100,000 eligible immigrants signed up (Papademetriou \etal\ 2009).} A common worry is a downward pressure on salaries caused by an influx of migrant workers. In the OECD countries the aggregate effect of immigration on wages has been found to be very small both
in the short-run and in the long-run (Longhi et al. 2005). Similar findings in the context of South-South migration have been confirmed by Ratha and Shaw (2007). Simulations from a general equilibrium model by van der Mansbrugge and Roland-Holst (2009) suggest that reducing migration will not necessarily result in higher wages for native workers in receiving countries, since lower levels of migration will also lower the relative return to capital, which in turn will put downward pressure on wages.

The fiscal impact of immigration depends on the costs and contributions of the immigrant population to the welfare system of the host country. How extensive the social safety nets and welfare services are and to what extent migrants are allowed to access the domestic welfare system determines the cost on the host society, while their role as taxpayers determines their contribution to the system. The US Congressional Budget Office estimated that comprehensive immigration reform including legalization of undocumented immigrants, if undertaken, would increase federal revenues to a similar extent as the increase in federal spending on social security, healthcare and other benefits for the immigrants (CBO 2006). In UK, already the first-generation migrants were found to do well economically and to make a net fiscal contribution (Gott and Johnston 2002). However, the limited fiscal implication of immigrants may also be due to the fact that many of them are not eligible for most benefits, and will thus need to turn to family networks instead (Papademitriou et al. 2009). In the developing countries neither the welfare benefits might be numerous, nor the tax contribution of mostly undocumented immigrants likely to be substantial. The migrants‘ value added to the production and economic growth is a net gain for the country. Whether positive or negative, the net fiscal impact of immigration is not likely to be large (UNDP 2009, p. 89). When it comes to the provision of health care, however, the destination countries in South might face an increased burden. Irregular migrants in the South may have health needs that often remain unaddressed (UNDP 2009, p. 55).15

**Social Impact on the Destination Countries in the South**

Apart from increased competition at the labour markets, increasing inflows of migrants impose an integration challenge in social life. In many of the developing countries, there is lack of policies to manage immigration while its control fails to curtail the inflow of migrants due to scarce resources, weak

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15 For instance, HIV prevalence is observed to rise with migration and the situation is made worse by the fact that in every fifth destination country there are laws, regulations or policies that present obstacles to effective HIV prevention, treatment, care and support for migrants (UNAIDS 2008, 114). While people with HIV commonly return to live with family members to obtain care, some people with AIDS-related opportunistic infections migrate to obtain health care (Crush et al. 2005). This could involve cross-border movements to a country perceived to have better health care facilities.
administrative capacity and porous borders. Cross-border migration is often widely accepted (Adepoju 2005), though sometimes immigrants even from neighboring countries are treated as unwanted foreigners (Crush 2000). This inability to control migration and to integrate the newcomers has at times led to dramatic actions and great human suffering. When the economy is already under pressure, failure of integration has sometimes led to massive expulsions of migrants mostly in the South. The Nigerian Government, for instance, expelled over two million immigrants mainly from Ghana in 1983 due to a domestic economic crisis for which the aliens became scapegoats (Lassailly-Jacob et al. 2006). More recent examples of forced repatriation can be found both in the North and South. The United States deported more than 350,000 immigrants and South Africa 300,000 in 2008 alone (UNDP 2009, p. 99). The case of Côte d’Ivoire, where striping of immigrants of some of their rights sparked a chaos that has led the once stable country to the verge of an internal conflict, illustrates the growing intolerance to foreigners in the South (Adepoju 2003, UNDP 2009). These instances highlight the importance of strengthening migration and integration policies in developing countries as they host large numbers of immigrants.

The challenge of integration is most prominent in urban areas. Most internal and international migrants end up in the cities of developing countries because of employment opportunities, with many working in the informal sector of business, transport, crafts and services. For example, a quarter of the population of Libreville in Gabon is from another country from Central Africa and West Africa (Lassailly-Jacob et al. 2006). Sometime, the movement is driven by the falling living standards and weak support services in the source community (World Bank 2009). If the excess supply of labour is combined with poor ability of the local authorities to manage immigration, the results are increased disparities and expansion of slum areas in the cities (UNDP 2009, p. 87). Forced migration can also contribute to urbanization. War, environmental degradation and economic crisis lead to large population movements from rural areas into cities where people take refuge. There are allegedly two million Somalis in Mogadishu, mostly refugees escaping the fighting in their villages and seeking protection of the NGOs or the warlords (Lassailly-Jacob et al. 2006). Rapid expansion of cities combined with weak local administration or lack of migration policies have led to desperate actions by the host countries. In Dhaka (Bangladesh), 60,000 people were forcibly cleared from the slums in early 2007; in Jakarta (Indonesia), migrants are required to show proof of employment and housing to enter the city; and in Zimbabwe (internal) migrants were evicted from shanty towns around Harare in 2005 (UNDP 2009, p. 87). Migration is only a part of the urbanization challenge, but the interaction between migration and rapid urbanization is likely to be important for policy in the destination countries in the South.
Before presenting the policy recommendations, we may point out a few emerging themes on the impact of migration on climate change, political institutions, fertility and national security.

The Inter-governmental Panel on Climate Change noted in 1990 that the greatest single impact of climate change could be on migration (IOM 2008). It predicted that as many as 200 million people may be forced to migrate by 2050 because of climate change (Myers 2005). Dasgupta and others (2007, 2010) estimate that rising sea levels, tidal waves and storm surges could displace millions of people in Bangladesh, some of whom might seek refuge in neighbouring countries. The effects of migration on climate change, on the other hand, are less understood. It is generally assumed, that short-term and circular migrants make little investment in maintaining the ecological stability of their destination, while long-term immigrants have an incentive to invest in environmental management. When migration is induced by a conflict or natural disaster leading to a sudden inflow of migrants, the displaced people may resort to unsustainable activities in the absence of other means of survival exacerbating existing environmental problems and creating new ones (Hugo 2008). Large refugee camps have especially been observed to put pressure on the ecosystem. McNally et al. (2002) argue that even long-term migration can affect the environment through increased competition for limited resources. On the other hand, migration can work as a channel for adoption of new techniques and raw materials, leading to more environmentally friendly production and consumption practices.

Migration can have important implications for domestic institutions and politics. The emigration of capable people may cause loss of governance capacity in countries where institutions are already weak. Also, emigration can serve as a way to release political pressure which diminishes the incentives of the established political elite to reform, increases corruption, and reduces overall government effectiveness (Castles and Delgado Wise 2008, Chami 2008).

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16 Identifying adaptation and resettlement strategies have been called for to deal with the emigration pressure imposed by the climate change (Martin 2010).
17 Yet, Black and Sessay (1997) compared the behaviour of refugees to local population in Senegal and found little or no evidence to support the expectation that refugees use more fuel wood than local residents.
18 One of the most reported cases is the Virunga National Park in North Kivu where thousands of Rwandan refugees who were brought there in 1994 engaged in intensive woodcutting and poaching (Lassailly-Jacob et al. 2006)
19 The risk of institutional degradation may not, however, be as large for remittances-receiving countries compared to similar effects in resource rich countries, since remittances are widely dispersed. The bulk of them are allocated in small amounts and where the money does not go through the government, the risk of corruption is diminished (World Bank 2006, Birdsall and Subramanian 2004).
Some observers have suggested that dependence on migration can create a “remittance-based development model” where remittances become increasingly critical for maintaining socio-economic stability in the migrant-sending country (Delgado-Wise and Márquez 2006, Delgado-Wise and Guarnizo 2007). Migrants may also serve as a channel for democratic attitude and behaviour absorbed in host countries to spread in their countries of origin, via visits, migrant returns and cross-border communication, which can improve accountability (Levitt 1998, Perez-Armendariz and Crow 2010, Cordova and Hiskey 2009).

Migration also shapes values and attitudes towards gender role within the household (Ghosh 2009). When women’s role as caregivers changes, men are more likely to engage in reproductive activities such as caring for the children and elderly (King and Vullnetari 2006). When men emigrate, women are empowered to take more prominent part community decision-making, control their own income and expand their role in the domestic sphere (Deshingkar and Grimm 2005, p. 39). Even other domestic norms, such as greater emphasis on girls’ schooling and higher age of marriage, can filter from the destination country to the sending society (Fargues 2007). Migration decision is also an integral part of family planning decisions and leads to differences in fertility rates among migrants and non-migrants (Singley and Landale 1998, Fargues 2007). Studies find migrants’ fertility to resemble more closely to that of natives at destination either due to social adaptation or self-selection of migrants by fertility preferences (Kulu 2005, Chattopadhyay et al. 2006), although there can be regional variations.

Forced migration due to conflicts, persecution or sudden impoverishment may lead to international migration across borders even while large migrant groups end up being internally displaced refugees in their own country (Newland et al. 2003, Martin 2001). For internally displaced population, hostility across different groupings in the country causes tension for regions hosting refugees, while the international refugee camps involve the possibility of international conflict. When the size of a refugee population increases over time, which is not uncommon as conflicts escalate, host communities are often overwhelmed.
and feel that their resources are threatened (Ek and Karadawi 1991). If, on the other hand, the refugees are allowed to and are able to find jobs and send home remittances, these could also be a valuable resource for reconstruction (Castles and Miller 2009, p. 61).

There are also wider security concerns suggesting that migrants would be disproportionately involved in criminal activity than natives (Mattes et al. 2000, Danso and McDonald 2001, Quirk 2008), even though data to support such a claim is lacking (Crush and Williams 2002). Providing support mechanisms for youth at risk, and ensuring proper integration of the migrants will be ways to diminish the risk of violence and manage the development impact of migration.

Although most remittances sent by migrants are legitimate transfers, the continued existence and use of informal channels has raised concerns of money laundering, terrorist financing and financial crimes leading to heavy regulation of providers of remittance services. The need for such alternative channels arise from the sustained high cost of remitting through formal financial institutions, cumbersome legislation related to money transfers and mistrust of the migrants towards the financial institutions (Shehu 2004, Lucas 2004, Maimbo 2004, Ratha and Riedberg 2005, Irving et al. 2010). Informality is particularly prevalent in the “South-South” remittance corridors (Ratha and Shaw 2007, Bracking and Sachikonye 2008).

Migration does not only imply movement of people, but also of cultures (Castles and Miller 2009, p. 41). Successful assimilation to the destination country requires the migrants to interact with the new society, while keeping the culture of the origin country alive. This creates a positive environment for the multicultural identity to form (Guarnizo et al. 2003, Faist and Gerdes 2008). On the other hand, some migrants may resort to the customs of the origin country more rigorously as they would have done back home. This highlights the importance of integration of the immigrants, and supporting them in the creation and formation of their new multicultural identity.

**Selected Policy Suggestions**

There is a vast literature discussing policy recommendations that nurture the benefits and mitigate the negative effects of migration. Before concluding, we briefly summarize selected policy suggestions such as integrating migration and development policies (both in South and North), facilitating the flow on

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25 For example, Kenya serves as a host country to hundreds of thousands of individuals living in camps without the ability to integrate into the local workforce or acquire sustainable sources of income (Banki 2004).

26 In USA, for example, the incarceration rate of the locally born men aged 18-39 was 3.5 per cent, while the same rate for foreign-born was merely 0.7 per cent in 2000 (IPC 2007). In Europe, however, there are generally more foreign-born in prison than locals, even though the results vary by country (Mukherjee 1999).
remittances, improving recruitment practices and facilitating international labour mobility.

Migration should be incorporated both in the development cooperation strategies in the North, as well as in the national poverty reduction strategies in the South (Clemens 2010). Although rare in practice (UNDP 2009, p. 82), there are some cases of successful strategies for cooperative efforts between the sending and receiving countries to manage migration (Martin et al. 2002).27 Areas of cooperation include the drivers of migration in the source country, networks that move people across borders and integrating the legal migrants into their destination countries.

While many developing countries have large number of immigrants, very few of them have explicit policies on how to deal with immigration or the capacity to manage their borders effectively. Similarly, there are calls in developing countries to focus on attracting the highly skilled migrants, discourage irregular migration and reports of growing xenophobia (Lucas 2006). Empowering the sending and receiving countries in the South to manage international mobility will benefit the migrants, the host societies and the country of origin.

Statistics on migration and remittances are often of poor quality, especially in developing countries. Few statistics measure migration flows and data are even scarcer when it comes to transit, circular or irregular migration (World Bank 2010b, p. 25-26). Official estimates of remittance flows are usually gross underestimates of the true volumes, since a large portion of remittances are sent through unofficial channels.28 Improving data collection can facilitate better policies to enhance migration for development.29

The development community can further leverage remittance flows for development by making them cheaper, safer and more productive for both the sending and receiving countries. An International Remittances Agenda would involve: (1) monitoring, analysis and projections; (2) improving retail payment systems through use of better technologies and appropriate regulatory changes; (3) linking remittances to financial access at the household level; and (4)

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27 For instance, Mali and France initiated annual bilateral consultations at the ministerial level to discuss the integration of Malians who want to remain in France, co-management of migration flows and cooperative development in emigration areas in Mali. Italy and Albania, on the other hand, have collaborated in a joint police programme to combat smuggling and trafficking (for more examples, see Martin et al. 2002).

28 Data collected by the central banks sometimes do not distinguish remittances from other low-value transfers such as small-value trade payments. In a recent survey of the central banks (Irving et al. 2010) wide discrepancies were discovered between the true estimated remittance flows and the figures reported in the balance of payment statistics to the International Monetary Fund.

29 A recent report by the Commission on International Migration Data for Development Research and Policy (2009) suggests five concrete steps towards improved availability and quality of migrant and remittance data. Further guidance can be found in Black and Skeldon (2009).
leveraging remittances for capital market access at the institutional or macro levels (Ratha 2007).

As the labour market becomes increasingly global, educational policies in developing countries will need to be revised to invest in skills that are needed within the country as well as in the global labour markets. On the other hand, the race for talent has led some destination country institutions to actively engage in recruitment of highly educated migrants such as doctors. However, attempts to regulate skilled-worker mobility, or so-called “ethical recruitment policies”, does little to address the underlying causes of emigration decisions, and often leads to unintended adverse consequences (Clemens 2009). The freedom of mobility should thus be allowed for all skill-levels, while complementary measures can be developed to foster service provision and skill development in source country.

Recruitment companies often account for a majority of the cost of migrating, especially when it comes to low-skilled migrants (Lucas 2005, p. 278) that can leave the migrant in debt, lower wages than promised, long hours and unsafe working conditions (see e.g. Chammartin 2005). Facilitating migration through safe and legal channels through better monitoring of recruitment processes and bilateral coordination will help to protect the rights of the migrants and fight exploitation and trafficking (UNDP 2009, p. 103). Providing knowledge about the migration process and language of the destination country will also enhance integration and quicker adjustment of migrants to the new labour market (UNDP 2009, p. 104).30

Migrants, especially those in an undocumented or irregular situation, are likely to face discrimination, exclusion, exploitation and abuse at all stages of the migration process (GMG 2010). Female migrants and children often face greater risks, including trafficking and deprivation of education and access to healthcare. Protecting the human rights of migrants is a part of the obligations of the State. It has to respect the internationally guaranteed rights of all persons, protect those rights against abuses and fulfil the rights necessary for them to enjoy a life of dignity and security (GMG 2010).

Immigration and border control policies need to recognize that migration is primarily an economic phenomenon (Ratha 2009). Evidence from the US-Mexico border suggests that increasing the number of border control agents raises the smuggler’s fees, but is unlikely to curtail the number of migrants as intended (Hanson et al. 1999, Durand and Massey 2002, Martin 2004, Passel and Suro 2005). Instead, providing legal channels for temporary migration when the

30 For instance, the Philippines Government organizes mandatory orientation courses for migrants prior to leaving where they learn about destination country’s customs and laws, resources available to them at the embassy or consulates, important contacts for any problems that might arise, and financial management (Ruiz 2008). The “Swedish for Immigrants” course offered for newcomers in Sweden, free of charge, with specific classes designed for uneducated or illiterate immigrants and highly educated professionals who need specific vocabulary to be able to work in Sweden is a good example of such training.
labour is in high demand in the destination country is more likely to enhance the benefits of migration for all parties.

In conclusion, migration and remittances can be a valuable complement to broad-based development efforts. Yet, migration and remittances (collective or individual) should not be viewed as a substitute for official development aid as they are private money that should not be expected to fund public projects. Also, not all poor households receive remittances and official funds are needed to address the needs of these households. Harnessing the development potential of migration and remittances by increasing the awareness of the decision-makers and improving data on remittances and migration, facilitating labour mobility and recruitment across borders, while allowing for safe and affordable mechanisms for sending money back, and combating the increase of fear-based xenophobia and overregulation are some ingredients along the way towards a migration policy that benefit both migrant-sending and receiving countries.

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