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Making migration sustainable

The role of IDA

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International Development

**MAKING MIGRATION SUSTAINABLE
THE ROLE OF IDA**

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1. The issue

Migration is one of the most pressing issues on the international political agenda. Rational solutions are needed to avoid that emotional reactions jeopardize the undisputable long-run benefits of international labor mobility.

International labor mobility has been a constant feature in human history. It helped to improve the quality of life of millions of human beings. There are no reasons to believe the future to be different than the past. Actually many reasons indicate that international labor mobility is and will be on the rise in the coming years: demography, income inequality among countries, better communication, lower transportation costs.

This trend has to be welcomed because international mobility of labor does increase global efficiency in labor allocation. However, in the short-/medium-run market imperfections can make migration flows inefficiently high, especially if not regulated; therefore they need to be governed so that the human kind can ripe the full benefits they can bring about.

Many political initiatives are currently discussed¹ to develop an agenda for sustainable migration. World Bank Group's policies maximize their effect if they can leverage and be synergic with other Institutions' initiatives; therefore migration needs to be at the center stage in IDA 18 for two fundamental reasons:

Migrants from IDA countries represent a large portion (18 per cent) of the total stock of migrants in high-income countries²;

A large share of ODA (Official Development Aid) that are channeled through IDA comes from countries that are currently struggling to manage incoming migration flows.

In a fiscal constrained and low-growth environment there is a sizeable risk that donors' and recipients' migration policies could clash. IDA recipients' needs are higher than ever because of strained public purses, due in turn to low growth and a low demand (and price) of raw materials. Ensuing economic hardship could encourage the best and/or most vulnerable workers to look for better opportunities elsewhere, increasing migration flows. At the same time IDA donors could be tempted to divert resources, which were traditionally allocated to multilateral aid, to domestic issues, primarily to handle these larger immigration waves.

Such a conflict would bring about large human and economic costs. In this context, the World Bank Group can play a key role in mitigating this risk by devising an encompassing strategy embracing the interests of both donors and recipients.

¹ See for example: "Migration Compact: Contribution to an EU strategy for external action on migration" (http://www.governo.it/sites/governo.it/files/immigrazione_o.pdf).

² World Bank (2016), "Special Theme: Jobs and Economic Transformation", paper for the 2nd IDA18 replenishment presented by IDA Resources Mobilization Department –May 25, 2016.

2. Principles of an encompassing strategy for a sustainable migration

World Bank Group's policies need to be grounded in sound empirical evidence. This principle leads to recognize that international labor movements bring about plenty of benefits for all. Therefore any attempt to stop it is not only bound to fail but will also substantially reduce the world GDP and further skew its distribution, thereby increasing the risks of conflicts and other tensions³.

The first evidence to be recalled is that migrants (identified as the people who live in a country different than the one where they were born) currently amount to about 250 million, which corresponds to about 3.5 per cent of the world population.

The second fact worth recalling is that international migration features a strong regional dimension. Contrary to widespread popular conception, most migration occurs within regions – e.g. 15.3 million out of the 31 million African international migrants live in Africa (UN data): in West Africa more than 70 per cent of emigration took place within the same sub-region⁴. Migration regards the developing world as well as the countries of origin, transit and destination.

At the same time, however, it must also be acknowledged that there might be cases when migration becomes disruptive if un-regulated and can push voters in recipient countries to press for inefficient and dangerous “protectionist” measures. Large outflows might deprive sending countries of valuable human capital; they can be a strain to families and rip apart the very fabric of the society. At the same time they cannot be absorbed smoothly by hosting countries in a short-time span. Both sending and receiving countries need to be prepared.

The World Bank Group's knowledge and financial tools can be usefully deployed to handle this difficult task. Key guiding principles of the World Bank Group's action should be:

Make migration a choice not a necessity: opportunities in the origin countries, labor-intensive activities, technological transfers, and trade.

1. Provide people with “migration skills”: language, flexibility, cultural adaptability, and knowledge of receiving countries; labor market skill, education.
2. Make migration a safe and reversible choice: centers for migration in the origin countries; visa programs linked to education or score system; safe and cheap ways to transfer remittances; easy travel.
3. Make provision of “migration services” a legal and economically viable activity.

³ See for example Branko Milanovic (2016), “Global Inequality. A New Approach for the Age of Globalization”, Belknap Press.

⁴ Leveraging Migration for Africa: Remittances, Skills, and Investments [Dilip Ratha, Sanket Mohapatra, Caglar Ozden, Sonia Plaza, William Shaw, Abede Shimeles - African Development Bank and the World Bank].

3. From principles to actions⁵

I. Make migration a choice not a necessity

In presence of a well-functioning domestic labor market, individuals will choose to migrate if their expected outcome in the destination country proves to be higher than the domestic one. In such a situation, migrants would be the ones with a relatively better match in the destination countries. If the domestic labor market does not offer any good alternative, then also individuals with a relatively bad match in the destination country will be pushed to migrate. For too many people there are no available options in their countries of origin; economic conditions in their home community are often so poor that they are forced to leave despite their desire to stay. The lack of alternatives makes the migration decision sub-optimal and therefore hardly a harbinger of social and economic progress.

A key policy would be to offer these “involuntary migrants” opportunities in their home countries. Two years ago the World Bank Group adopted two goals as polar stars for its action: eradicating extreme poverty and boosting shared prosperity. In its 2012 World Development Report the Bank has rightly identified jobs’ creation as the single most important factor to achieve its twin goals. IDA resources in IDA countries need to be directly linked to these twin goals, and directed without hesitation toward those within country areas with the highest concentration of “involuntary migrants” and toward those policies with the highest potential to address the push factors of migration.

One such a policy can be easily identified when considering rural-urban migration trends. While their contribution to the expansion of cities should not be overstated, the resulting growth in urban populations adds to urban overcrowding, puts urban facilities under pressure and acts as an indirect driver of migration pressure. Therefore attention should be paid to support rural-urban migration and to the provision of services and access to the labor market to the newly urbanized rural population.

In addition young people, rural development and food security may deserve some special consideration. In Sub-Saharan Africa an estimated 195 million out of the 330 million young people projected to enter the labor market over the next 15 years⁶ will live in rural areas and rely on rural labor markets for jobs. Moreover the same factors that drive rural poverty and inequality sometimes fuel conflict and instability: climate change and natural resource degradation threaten food security and increase the risk of conflict. The World Bank Group, and IDA in particular, could play a major role in promoting rural transformation by involving enhanced resilience, productivity, profitability and sustainability of rural activities.

The World Bank Group is endowed with all the instruments needed to design coherent and effective programs to boost job creation and reduce inefficiencies due to “involuntary migration”. To this end it is crucial that the migration dimension is factored in the analysis.

⁵ This section draws on the report “Towards a sustainable migration: Interventions in countries of origin”, ICID (2017)

⁶ Losch, B., Fréguin Gresh, S. and White, E.T. (2012), “Structural transformation and rural change revisited: Challenges for late developing countries in a globalizing world”, Washington, D.C.: World Bank.

Therefore the Strategic Country Diagnostic has to be directed to identify those within-country areas where jobs are mostly needed to avoid inefficient migration; job creation has to be the lens through which every single dollar spent in an IDA project will be scrutinized. More generally the World Bank Group must adopt job creation as the fundamental metric for evaluating Country Partnership Strategies.

The latest cycle of raw material prices has shown once more that GDP growth per se can be a highly misleading indicator of economic and social progress. The idea that policy makers need to be concerned only with wealth creation and not with distributional issues (because wealth will eventually trickle down to reach everybody in society) has been proved wrong. Creating wealth through depletion of natural resources in a rent-driven and jobless growth is not a robust strategy for long-run growth and shared prosperity.

Many policies can be adopted to provide local opportunities to potential “involuntary migrants”. Highly labor-intensive manufacturing sectors, small services, basic care for children and the elderly, residential construction to provide affordable houses to emerging low- and middle-class, have often proved able to generate healthy and self-sustained economic ecosystems. In addition to the provision of low-skill jobs that might respond to the large supply of unskilled labor, it is necessary to offer support to investment and start-ups that help the countries to climb the value-added ladder.

The paper “Special Theme: Jobs and Economic transformation” for the 2nd IDA 18 Replenishment meeting, presented a detailed analysis of how knowledge, financial resources and convening power of the World Bank Group can be orchestrated to implement the policies recommended in this note. It might be worth stressing once more the role of the private sector in job creation. Therefore synergies between IDA and IFC (the International Financial Corporation) have to be brought to the forefront of the battle against unemployment and underemployment, by combining IDA large and ever growing financial resources with IFC experience to foster and nurture local businesses within world markets.

II. Provide people with “migration skills”

When a worker chooses to look for better opportunities elsewhere, the odds that he/she will succeed depend on her “migration skills”. These are a mix of attitudes, knowledge, competences, that maximize migrants’ chances to safely reach the target country, to find a job, to be accepted and integrated into the hosting community. Since migrants are mostly young people, they can be endowed with these skills through the education system.

The World Bank Group has a long tradition in designing projects directed to empower people through skills and knowledge.

A right system of incentives can foster the demand for migration skills; for example visa programs based on scores that can be acquired through certified training programs may provide a strong stimulus for young adults to enroll in VET programs, possibly developed in coordination with potential hosting countries.

From the supply-side the World Bank Group can deploy its financial resources and convening power to design and implement VET programs to develop not only skills, which are valuable in the job market of the hosting countries, but also all the soft skills needed to adapt and thrive in the new environment.

Erasmus-like programs for university and high-school students could be experimented. The cost of such a program will be bearable if, for example, one could tap into the oversupply

occurring in some segments of the European education system due to a declining school-age population (unmatched by a simultaneous decline in the number of schools and teachers).

CSO and religious entities have been working on these programs for decades achieving important results. However, the scale of their interventions is bounded by the limited financial resources and by the voluntary nature of their work. Their experiences can be leveraged to scale up their programs to the levels needed by current needs.

It is interesting to note that these skills are important both for migrants and non-migrants. Indeed the creation of a skilled labor force is synergic to the actions suggested under point a), as it may remove an obstacle to attract FDI for green field projects.

III. Make migration a safe and reversible choice

Migration cannot be a life-risking experience and making it safe is a priority. At the same time it cannot be so costly to be irreversible: make it a possible transitional experience is vital for both the hosting and the receiving countries.

These two key principles need to drive actions.

To reduce the overall risk of migration, potential migrants need to be intercepted at the origin, e.g. developing recruitment centers inside the VET centers. Skills certification and orientation services are a basic, yet valuable, support for would-be migrants. In addition, small loans to finance the transportation and relocation costs could be provided. As they were when they successfully designed and launched catastrophe or green bonds, The World Bank Group's treasuries could be of help in designing the appropriate financial tools to make these loans an economic viable activity for local banks. MIGA could be brought in to develop some possible insurance scheme.

Returning policies from host countries are also key to a well-managed migration strategy. The World Bank Group can deploy its vast knowledge to help shaping the mechanism to transfer pensions' benefits across countries; to create special funds in host countries to help returning migrants relocating in their origin countries; to engineer special visa programs granting returning migrants the right to access the host country at will; to work with the banking system in both the hosting and origin countries to lower fees on migrant remittances. In many sending countries remittances represent a large portion of GDP and an even larger one of national saving. The World Bank Group could work with these countries to use these savings to fund sound development projects.

IV. Make provision of "migration services" a legal and economically viable activity

Anecdotal evidence suggests that in most cases migrants do not reach their final destination directly, but rather through several steps along "migrations routes". There are informal systems -sometimes not fully compliant with the law - to which potential migrants apply for help, information, and logistics. Sometimes these networks stretch across many countries and provide migrants opportunities to earn along the road the means to go from one step to the next one of their journey toward their final destination.

Often they trace old communication routes among local communities that were developed long before the coming into existence of the current post-colonial nation states. This connecting role is at odds with the existence of current borders among newly created countries, but need to be preserved.

Transforming those “migration corridors” from a grey area to a fully legal and transparent economic opportunity for local communities can be a way to absorb part of the original flow of migrants and thereby creating aggregation and spurring a local spiral of endogenous growth.

Many actions can serve the scope:

1. Developing small businesses oriented to supply cheap accommodation services (like those which can already be found along religious routes leading to religious cities, e.g. on the Camino de Santiago in Spain), possibly connected to orientation centers, which can provide basic information;
2. Establishing locally-centered transportation networks;
3. Developing special visa programs allowing migrants to work temporarily in the countries along the “migration corridor”

Because of the cross-country nature of these migration corridors, a strong coordination among neighboring countries is required to make them work in an efficient way and under the rule of law. In this respect, the IDA window for regional projects is well suited to cope with these situations.

4. Tools

The World Bank Group is well equipped to develop all the above-suggested actions.

The menu of available financial tools (lending to sovereigns, lending to group of sovereigns, guaranties, equity and loans to companies, investment into funds, a whole array of insurance products) is flexible enough to adapt to the specific needs of every single project and single country.

The knowledge, experience and expertise that the World Bank Group has developed in the last 70 years can serve well in developing projects to give concrete life to the actions proposed in this document.

5. Assessing success

The evaluation of the impact of the World Bank Group's interventions on immigration will be done at the appropriate time by the Independent Evaluation Group (IEG), which has the knowledge and the experience to conduct such a complex task.

This type of studies can be conducted only after the projects have been completed. However, to collect the right type of data (which will eventually be used by IEG for its evaluation), and to guide the World Bank Group's action it is necessary to state with clarity an appropriate metrics to evaluate success.

Impact evaluations of relevant pilots can be carried out to assess the effectiveness of the interventions and identify possible improvements.

As a matter of illustration, Table 1 presents for each of the set of actions discussed in this note an example of the possible indicators to be tracked in order to evaluate the success of IDA projects.

Table 1. Example of possible indicators to track the described actions

Actions	Indicators
a) Make migration a choice, not a necessity.	<ol style="list-style-type: none"> 1. Number of surveys to identify possible “involuntary migrants” 2. Number of maps of “involuntary migrants” concentration 3. Number of jobs created in areas and among social groups with the highest concentration of “involuntary migrants”.
b) Provide people with “migration skills”	<ol style="list-style-type: none"> 1. Number of VET centers created 2. Number of trained workers 3. Quality of the training delivered 4. Number of Erasmus-like programs developed
c) Make migration a safe and reversible choice	<ol style="list-style-type: none"> 1. Number of returning agreements developed 2. Number of returning migrants 3. Share of remittances channeled to development projects
d) Make provision of “migration services” a legal and economically viable activity	<ol style="list-style-type: none"> 1. Number of migration corridors identified 2. Number of accommodation structures created 3. Change in the cost of transportation along the migration corridors