

The aid workers who really help

How much do migrants, by sending remittances and other means, act as catalysts for development in the countries they leave behind?



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As the dust settled after the attacks of September 11th 2001, officials in America and elsewhere started tracking cross-border flows of money from migrants, in the hope of nabbing terrorists. Remittance agencies were regulated more heavily; cash transfers from foreign workers were monitored. Not much was discovered about terrorism, but lots of new data emerged on the economics of migration.

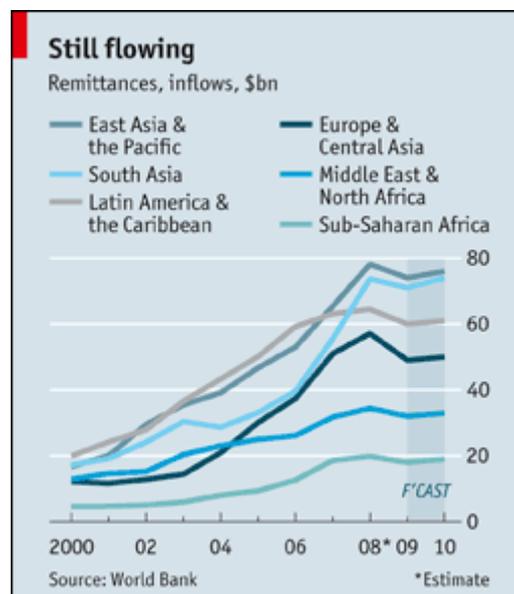
It was a happy side-effect. Over the past few years migration experts have gained a clearer view of how some 200m people working abroad affect the lives of compatriots who stay home. The impact, it turns out, is huge and benign.

Obviously, migrants help their homelands by remitting cash on a vast scale. Armies of itinerant nannies, dishwashers, meatpackers and plumbers shift more capital to poorer countries than do Western aid efforts. (This may long have been true, but without the data who knew?) The World Bank says foreign workers sent \$328 billion from richer to poorer countries last year, more than double the \$120 billion in official aid flows from OECD members. India got \$52 billion from its diaspora, more than it took in foreign direct investment.

Impressive as these figures are, measuring the real impact is hard. Not all the cash goes to the most needy. Middle-income places like Poland and Mexico are big recipients; poor and isolated ones, notably in Africa, are less likely to export many migrants (though, as Africa grows richer, its small emigrant population will probably soar). Nor do remittances, even when they land in poor countries, always reach the poorest. Most migrants need some funds and education to get away, so their families are often slightly richer than average.

Yet remittances are an efficient, market-driven means of pushing money towards people who are hard-pressed. Crucially cash is not channelled through NGOs or civil servants, who absorb (and waste) a big chunk of aid. Nor can corrupt officials easily steal the funds. Technology, notably mobile phones and online banking, and competition between remittance agencies, make exchanging money between individuals ever easier, safer and cheaper.

Even if some remittance money is “wasted” (in development terms) on consumer goods, the flow of cash boosts demand in recipient economies and supplies precious hard currency. And some remittances are spent on developmentally useful things like education and health. As migrants’ funds cut poverty in a household, girls stay longer in schools, nutrition improves and healthier babies are born.



In emergencies—like last month’s Pacific tsunami—relatives abroad can respond with material aid and cash. Similarly Zimbabwean exiles, many of them in South Africa, have kept starving relatives alive. They send maize flour and cooking oil, as well as cash, often carried by bus drivers acting as remittance men.

Beyond cash remittances, do migrants boost human welfare in other ways? The UN’s latest “Human Development Report”, published on October 5th, makes a refreshing attempt to say yes. Rather than calling migration a problem to be solved, it offers the development case in favour of the freer movement of labour. Most obviously, note the authors, by crossing a border most migrants find a richer, longer, healthier and better-educated life than they would otherwise have had: over three-quarters go to a country with a higher rank on the human development index. The report (and others) also makes the case that migrants send home useful values as well as cash. Demetrios Papademetriou, head of the Migration Policy Institute in Washington, DC, argues that such “knowledge transfers, the social and political remittances” are very important. He and other migration watchers are turning their attention from the flow of money to the flow of ideas. It is hard to prove anything, but there are cases where large-scale return migration has coincided with (and perhaps boosted) political and economic change. Many Turks, Greeks and Portuguese who worked in northern Europe in the 1960s and 1970s returned as their homelands were becoming freer.

Today, many “people of Indian origin” in America and elsewhere are pushing for transparency and simpler regulations for foreign investors who want to start businesses in India. As India’s officials have responded, remittances and investment have soared. Other governments, increasingly aware of the funds available from their diaspora, may follow. Countries in west Africa want to tap their emigrants in Europe and America as a source of capital, by offering investment guarantees and a more welcome business environment. In other cases, notably in Central America, governments (city or national) and local bodies are starting to offer matching funds if emigrants send remittances to pay for small projects like school repairs and road building. Known as “4-4-1” schemes, the idea is to multiply the benefits to a local community

from migrants' funds. Some donors, like Canada and Sweden, wonder whether aid should be bundled together with remittances.

Of course, migration also has its difficulties for development. Skilled workers leaving poor countries are an evident brain drain, though in some places doctors and other graduates might in any case be driven away by bad working conditions.

Nor is it clear that the effect of migrants on their home countries will continue to grow. About 3% of the world's population lives abroad: a share that has hardly grown in recent years, despite a jump in absolute numbers. The World Bank says cash remittances, which seem to have surged in the past decade (in part because of better data), may have peaked in 2008.

It is clear that in some regions, notably Latin America, remittances have declined this year, although funds from migrants in the Gulf have probably remained steady.

A study in June by the OECD, a rich-country think-tank, found that migrants are suffering a lot from the downturn in prosperous economies. All over the rich world there are signs that new flows of migrants have sagged (though not the total number abroad). And many migrants are struggling. In Spain the jobless rate for the foreign-born reached 28% in the second quarter, against a national rate of 18%. And in Ireland and Britain it seems that some migrants, for example from Poland, have gone home rather than await better days.

For all migration's excellent effects, it is now—says Jean-Christophe Dumont of the OECD—“less than clear what potential migration has for poverty relief” in future.

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