

ISSUES AND FACTS ON DEVELOPMENT

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The Current Issue:

Migration, Remittances and Development

By Ronald U. Mendoza

Remittances to developing countries have increased sharply over the past decades while a good part of the most skilled workers has been migrating to the world's richest countries. Are remittances and migration going to help spur economic and human development in developing countries or is brain drain hampering progress?

Facts at a Glance:

Post-Conflict Recovery Takes Time

By Pedro Conceição and Ronald U. Mendoza

Economic recovery in war-torn countries can take decades and calls for international support to foster institutions.

Mega-Sporting Events and Economic Development

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Hosting the Olympics or the FIFA World Cup is highly competitive. Can it bring economic development?

About

Issues and Facts on Development

Issues and Facts on Development is a monthly brief issued by the Office of Development Studies (ODS), United Nations Development Programme. The new publication takes on up-to-date topics in the area of development and shows them in a new light. It consists of a main feature titled "the current issue" and a number of mini features headed "facts at a glance".

For inquiries on how to receive this brief regularly or to contact the authors, please send an email to ods@undp.org.

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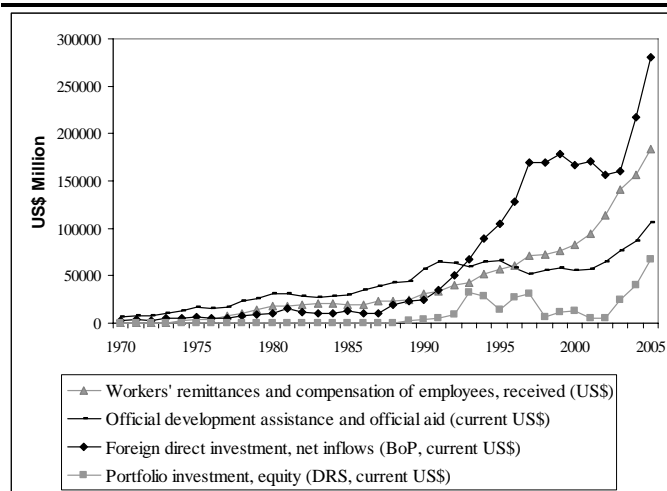
THE CURRENT ISSUE

Migration, Remittances and Development: Some Initial Insights Using Data on African Physicians

By Ronald U. Mendoza

In the 1980s and the 1990s, foreign investment was touted as the source of development finance for much of the capital-poor South. These days it seems, the new development mantra is focused on remittances (Kapur, 2004). Remittances to the developing world have jumped from about \$400 million in 1970 (i.e. 20 percent of total global remittances) to a little over \$200 billion by 2006 (i.e. over 70 percent of total global remittances). Developing country remittance inflows are now second only to their aggregate net FDI, but trumping aggregate ODA flows and portfolio equity investments to these countries (see chart 1).

Chart 1
Selected Aggregate Financial Flows to the Developing World
(In million US dollars)



Source: The World Bank's World Development Indicators Online.

In 2006, the top recipients of remittances in the world were large emerging market economies like India (\$26 billion), Mexico (\$25 billion), China (\$22 billion) and the Philippines (\$14 billion). However, scaled by the recipient country's GDP, countries topping the list change drastically—this time dominated by those with very small populations and domestic economies, led by Moldova (38 percent), Tonga (31 percent), Guyana (22 percent), and Haiti (21 percent). Studies estimating the welfare gains to the world from increased cross-border movement of labor cite figures ranging from \$156 billion a year to over \$350 billion a year, with benefits accruing to developing

countries ranging in the order of about \$80 billion to \$140 billion per annum (Winters and others 2003, 1138; World Bank 2006, 34). Unsurprisingly, there has been increasing academic and policy interest in the potential development impact of remittances.

Yet, remittances cannot be separated from the migration of people that generates these very remittances. And these two—migration and remittances—are in some important ways antithetical in terms of their potential links to development in the migrant's home country. Migration is often seen as a search for better opportunities beyond a country's borders, hence a signal that development prospects and occupational opportunities in the country may be wanting in some way, notably when compared to potential destination countries abroad. To the extent that migrants embody scarce human capital and possess characteristics that are important for economic growth—including skills related to entrepreneurship, healthcare and innovation—then out-migration of highly skilled professionals could hollow-out their home countries' talent pool, undermine their long-run growth prospects, and also serve to bolster the international income divergence trend.

In fact, emigration from developing countries to industrialized countries presently accounts for 37 percent of total global emigration, while emigration across developing countries and across industrial countries accounts for 24 percent and 16 percent respectively (Parsons and others 2007, 20). The richest countries in the world are also attracting some of the most skilled and talented migrants in the international labor market (Docquier and Marfouk, 2006). Hence economic divergence across countries could be seen as a potential impetus for, and in some cases also a potential impact of, continued migration.

Is brain drain occurring and is it hampering economic and human development? Is the combination of migration and remittances going to help countries climb the development ladder? Or are these merely artifacts of a global economy that is leaving more and more countries (and people) behind? These questions bring me to my main point in this essay: assessing the net development impact of migration and remittances is an empirical question, and, despite the entire hullabaloo, one which is still largely unaddressed.

Migration and Development Link: Insights Using Data from African Physicians

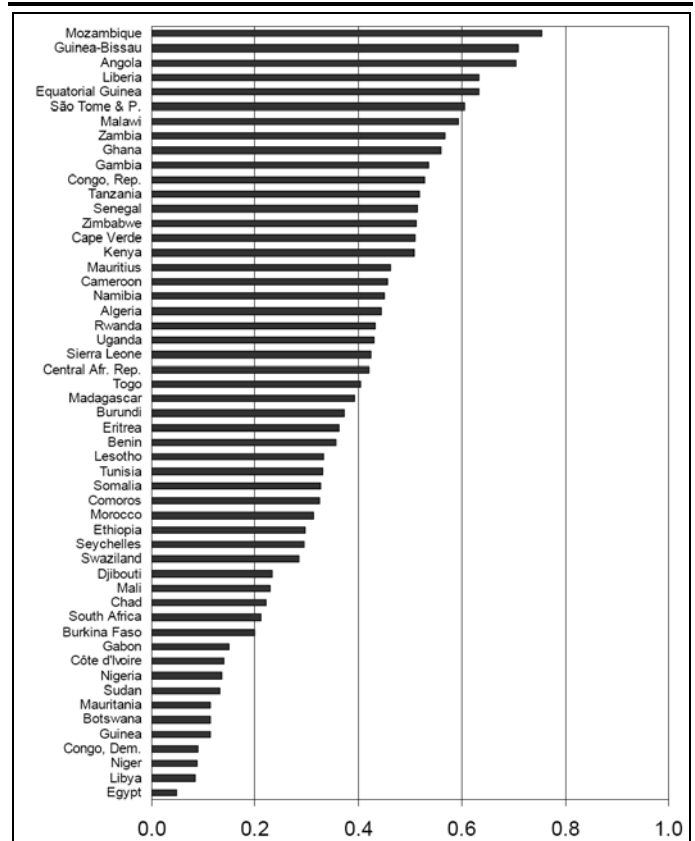
Data on migration and remittances is notoriously sparse and in many cases, at best, the product of interpolation. Empirical work in this area is limited by this obvious constraint, making the production of new databases on the topic all the more critical. Michael Clemens' and Gunilla Pettersson's (forthcoming) database on migrant African health professionals is particularly interesting in this regard. While it does not allow us to answer all of the questions set forth earlier, it does shed some light on a few important dimensions, notably those on brain drain and their potential impact on human development. Their data pertains to health practitioners in each of the countries in Africa, the continent where discussions on brain drain seem to be focused in particular.

In their database, Clemens and Pettersson seek to "create a systematic, standardized snapshot of the stock of African-born physicians and professional nurses living and working in developed countries in 2000. It improves on earlier work by including professional nurses; by maintaining a single, consistent definition of 'African'; by including all the major destination countries; by covering every African sending country; and by providing information on country of birth rather than country of training, a more useful measure for certain research questions (ibid, 7)." These authors construct what is perhaps the first occupation-specific database of skilled-worker net bilateral migration for the entire African continent.

Drawing on the dataset and focusing on the sub-set of African countries that recently emerged (or are still emerging from conflict), a few facts quickly jump out (see chart 2). For example, Sierra Leone, a country of a little under 4.5 million people in 2000, had a little over 300 doctors in the country that year—about 1 doctor for every 15,000 people. That same year, the United Kingdom and the United States were home to as many doctors from Sierra Leone as were in Sierra Leone itself. Similarly, Burundi, a country of about 6 million people in 2000, only had about 230 doctors in the country that year—translating roughly to about 1 doctor for every 30,000 people. That same year, France and Belgium were home to a little over 100 doctors from Burundi, or about half as many Burundese doctors as were in Burundi itself. Angola and Mozambique, two of the poorest countries in Africa and ranked 162nd and 172nd respectively of 177 countries total in terms of human development (UNDP 2008, 237), have even more stark figures: 70 percent of Angolan doctors worked abroad in 2000, and Portugal alone had more than twice the number of Angolan doctors that were in Angola; 75 percent of

doctors from Mozambique worked abroad in 2000, and there were three times as many of their doctors in Portugal than in their own country.

Chart 2
Fraction of Physicians Abroad, 2000
(In percentage)



Source: Clemens (2007, p.43).

It is perhaps tempting to automatically associate doctors leaving (brain drain) with poorer health and human development outcomes (or doctors emigrating and having less doctors, on average, in the country), but in this case the data does not seem to support this view. In a carefully crafted (but still very preliminary) empirical exercise, Clemens (2007) uses the Clemens and Pettersson dataset (all 53 countries in Africa) to try and examine whether exogenous decreases in emigration are linked to a higher number of domestic health professionals (i.e. stopping brain drain), or correlated with the mass availability of basic primary health care, or better health outcomes. To try and identify these effects, he uses two natural experiments arising from the colonial division of the African continent. He argues that language and country size are likely to affect the propensity to migrate, but are unlikely to directly affect health system staffing, basic primary care availability or basic public health outcomes. While a number of issues

remain in his framework (not the least of which is his use of only a single year's worth of data, as well as the limited focus on Africa), he does generate some very interesting preliminary insights.

First, at least for countries in Africa and focused only on physicians, countries with higher levels of economic development appear to also have more high-skill emigration. Clemens argues that this pattern of emigration is probably due less to the migrants' enhanced ability to incur the costs of migration (we are talking about physicians after all), and more with the general increase in human capital build-up associated with more economic development, and which affords more high-skill migrants the ability to compete in the global labor market. Hence, for some of the poorest countries in the world, more economic development might lead, at least initially, to more emigration of some human capital skill sets rather than less. Indeed, this is a point reiterated by other experts engaged in the ongoing debates on migration. (See for instance, Lant Pritchett's interview with Reason Online (Howley 2008)).

Clemens also finds that major wars (he identifies episodes where there were more than 25 battle related deaths per year and a total conflict history of more than 1000 battle related deaths) appear to be linked to a higher propensity to migrate—controlling for other factors, physicians abroad nearly doubles for those countries ravaged by war.

Finally, and perhaps most intriguingly, Clemens does not find any evidence of a negative link between physician emigration and domestic physician stocks. Instead, the general pattern seems to suggest that larger emigrant physician stocks abroad are positively correlated with larger domestic physician stocks, reflecting the point made earlier on the possible u-shaped emigration pattern for high-skilled professionals. He also does not find any negative link between physician emigration and a variety of basic primary health care indicators (including child mortality, the measles vaccination rate, and the DPT vaccination rate). Instead, the evidence seems to point to other factors that are also behind the state of health outcomes in the country, such as the general weakness of the public healthcare system and poor infrastructure.

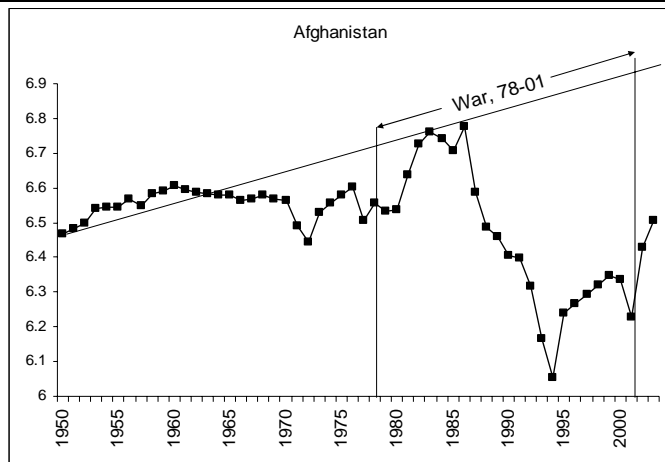
The foregoing analysis draws on one dataset and one empirical study, leaving many other questions—including those focused on remittances to these African countries—still unanswered. The observations made are still based more on inference rather than conclusive empirical evidence. Nevertheless, what is clear is that quick conclusions on the links between migration and development outcomes are best avoided. Furthermore, the

main point of this essay remains: until better data highlighting the possible consequences of migration and remittances are brought to bear, and the challenge to empirically assess the net benefits of migration and remittances is met, policymakers will probably do well to maintain a careful and holistic view of how these two forces are shaping the global economy and how their countries are being affected.

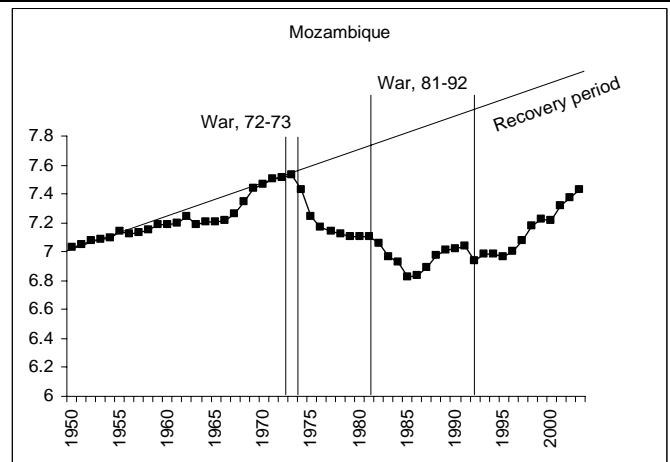
FACTS AT A GLANCE

Post-Conflict Recovery Takes Time

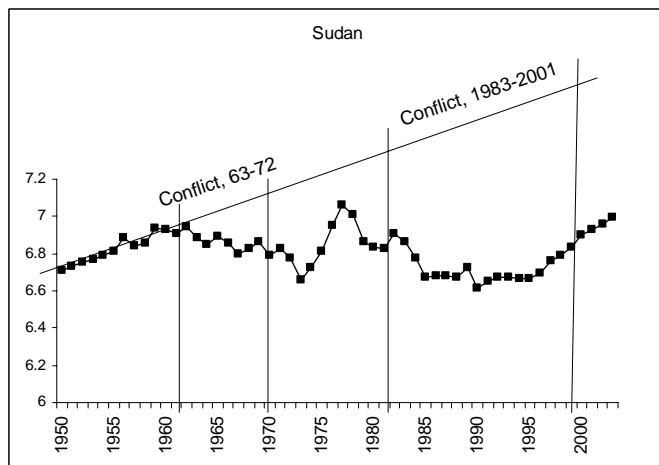
By Pedro Conceição and Ronald U. Mendoza



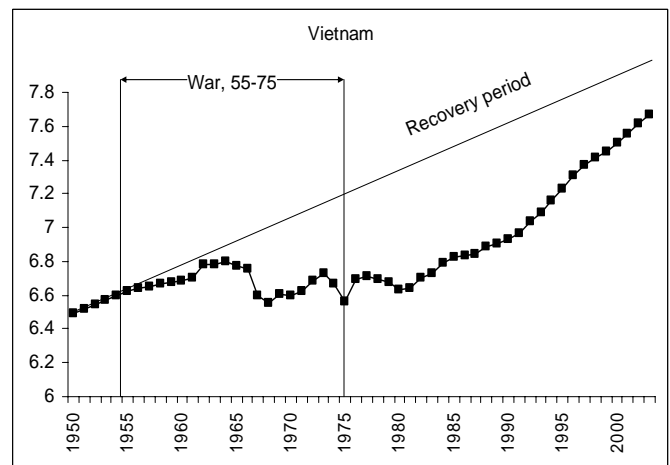
Source: Conflict years from Strand, Wilhelmsen and Gleditsch (2002); GDP per capita in constant 1990 PPP dollars from Maddison (2007).



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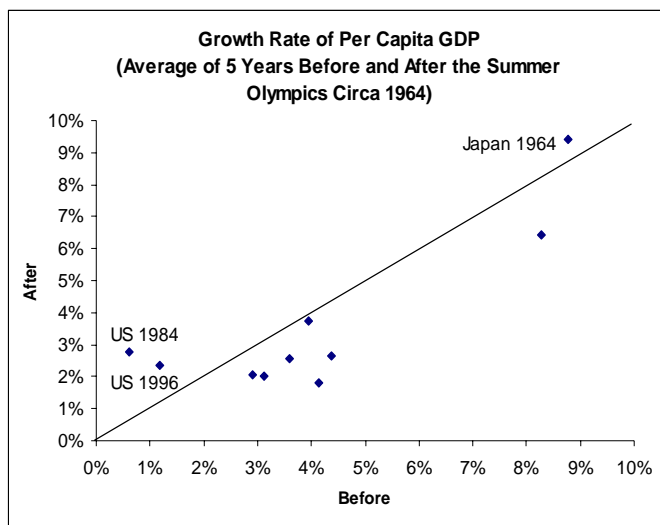
Source: Conflict years from Strand, Wilhelmsen and Gleditsch (2002); GDP per capita in constant 1990 PPP dollars from Maddison (2007).

Economic recovery from a conflict or war is often a protracted process. If one uses the GDP per capita as a rough measure of recovery, then an ocular inspection of this indicator suggests that the process takes decades even in some conflict recovery success stories like Vietnam. The charts provide a crude approximation of the economic trajectories of a sample of 4 countries that have or are still recovering from conflict or war (GDP per capita in log linearized form). Post-conflict countries are often in the situation of having to emerge from years of economic and political misrule, social tensions and fractionalization, decimated infrastructure, regress in human development and welfare, as well as mass displacement (and emigration) of the domestic population. Under these conditions, weak

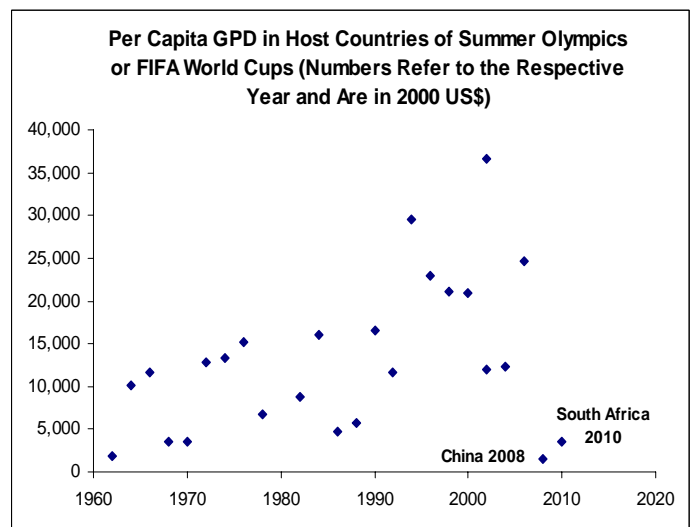
and failing states are often on a fragile recovery path that could easily regress into economic and political dysfunction and rekindle the seeds of conflict once again. Donor countries, non-governmental organizations (NGOs) and multilateral organizations could play an important stabilizing role for these countries, yet questions of how long to stay, and when to exit become especially critical. Chand and Coffman (2008) argue that a necessary but insufficient condition for successful exit lies in the creation of the necessary fiscal space to fund the recurrent budget from internally generated revenues. Building and strengthening institutions is crucial in this regard, and an extended donor presence could help provide the space and time to undertake this process.

Mega-Sporting Events and Economic Development

By Namsuk Kim



Source: World Development Indicators Online. US data are in state level, calculated from Bureau of Economic Analysis.



Note: China and South Africa are 2006 estimates.
Source: World Development Indicators Online.

The interest in hosting mega-sporting events, such as the Olympics and the FIFA World Cup is high. More and more developing countries raise their voice to be given an opportunity to host the events, expecting monetary and economic windfall gains. Even if the direct impact is estimated to be small, the multiplier effect has been widely expected to be substantial because the benefits are believed to materialize in economic, social and cultural aspects for many years to come after the event.

Unfortunately, there is no undeniable evidence that the hosting of Olympics has a measurable impact on economic growth. In fact, almost none of the Summer Olympics since the 1960s had a noticeable positive impact on the host country's growth: the economies of host countries actually slowed down a little, with a few exceptions (Tokyo 1964, Los Angeles 1984, and Atlanta 1996). Ex-post studies have consistently found no evidence of positive economic impacts that had been estimated by ex-ante studies (see for instance Baade and Matheson 2002).

Hosting mega-sporting events is rather an indication that the host country has reached a certain level of development. Since the 1960s, the GDP per capita of countries hosting the Olympics and the FIFA World Cup has increased and since the 1990s, none of the events was held by a country with a GDP per capita of less than \$10,000. The 2008 Beijing Olympics and the 2010 FIFA World Cup in South Africa will break with this trend with China showing a GDP per capita of \$1,594 and South Africa of \$3,562 (2006 estimates). In light of the recent debate on climate change both events also confront developing countries with new issues. Most likely the longer term economic impact of such mega-events will depend on the host country's ability to channel the investment on infrastructure and technology to the rest of the economy.

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