UNCTAD/LDC/2012

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

The Least Developed Countries Report 2012

Harnessing Remittances and Diaspora Knowledge to Build Productive Capacities

Chapter 2

Harnessing Remittances and Diaspora Knowledge for Productive Capacities in LDCs

UNITED NATIONS
New York and Geneva, 2013

CHAPTER 2

Harnessing Remittances and Diaspora Knowledge for Productive Capacities in LDCs

A. Rationale for addressing remittances and diaspora issues

Remittances have attracted increasing attention in the international discourse, partly owing to their remarkable growth over the last decade (Ratha, 2003; Solimano, 2005; UNECA, 2007; UNDESA, 2012b; UNDP, 2009). A growing consensus is emerging that remittances constitute a significant source of external financing, whose availability, if managed through appropriate policies, could prove particularly valuable for capital-scarce developing countries (especially those with larger diasporas). The jury is still out on whether or not they are the most stable and predictable source of development finance. While some unresolved questions remain as to their macroeconomic impact, a large body of evidence suggests that remittances contribute to poverty reduction and improved health care and education.

A growing consensus is emerging that remittances constitute a significant source of external financing for capital-scarce developing countries, especially those with larger diasporas.

Similarly, there is growing interest in the role that migrants can play as "development agents" linking home and destination countries (Melde and Ionesco, 2010; World Bank, 2011a). While concerns about the adverse impact of "brain drain" remain valid, the recent debate has to some extent shifted to how to engage with the diaspora and maximize its potential contribution to development, "turning the brain drain into brain gain". In this respect, the emphasis has been placed not only on the saving and investment potential of diasporas but also on their latent role as "knowledge brokers" who could facilitate the emergence of new trade patterns, technology transfer, skills and knowledge exchange.

There is growing interest in the role that migrants can play as "development agents" linking home and destination countries

In this context, the rest of this Report addresses three main issues.

- First, it provides a baseline assessment of current patterns of migration and remittances to LDCs, analysing their importance and economic significance, the transaction costs involved, and the associated opportunities and challenges.
- Second, it assesses diaspora engagement in LDCs in relation to the process of knowledge acquisition and diffusion, shedding light on not only the risks stemming from brain drain but also on the potential scope for greater knowledge circulation.
- Finally, it provides specific policy proposals aimed at better mobilizing remittances and engaging diaspora communities for the development of LDCs' productive capacities.

The Istanbul Programme of Action for LDCs (IPoA) identified "Mobilizing financial resources for development and capacity-building" as one of the priority areas for LDCs for the decade 2011–2020. The programme stresses that "Remittances are significant private financial resources for households in countries of origin of migration. There is a need for further efforts to lower the transaction costs of remittances and create opportunities for development-oriented investment, bearing in mind that remittances cannot be considered as a substitute for foreign direct investment, ODA, debt relief or other public sources of finance for development" (para 126).[1]

The Istanbul Programme of Action for LDCs (IPoA) identified "Mobilizing financial resources for development and capacity-building" as one of the priority areas for LDCs for the decade 2011–2020.

With this in mind, it is useful to approach these issues from the perspective of the long-standing structural weaknesses that constitute the raison d'être of the LDC category. The discussion of remittances (and diaspora savings) can best be related to two key macroeconomic constraints hampering the expansion of productive capacities in LDCs, namely the low level of investment and persistent balance of payments vulnerability.[2] Indeed, LDCs' long-standing need to strengthen skill formation and knowledge creation provides the most appropriate entry point to embark on an analysis of the multiple roles that diasporas can play in catalysing knowledge circulation and technology transfer.

Capital accumulation in the LDCs has continued to proceed at a comparatively slow pace despite the growth acceleration of the last decade. With an average investment ratio of 21 per cent of GDP over the last decade compared with 26 per cent in other developing countries, LDCs' long-standing infrastructural and productivity gaps are likely to persist if not widen.[3] Similarly, since the adoption of the Millennium Declaration, most LDCs have witnessed tangible improvements in terms of literacy rates and primary school enrolment but still lag far behind other developing countries in terms of secondary and tertiary enrolment.[4] Moreover, the limited mobilization of investment in physical and human capital has traditionally been compounded by lopsided production structures largely focused on primary products and low value-added activities. This has typically resulted in heightened dependence on primary commodity exports and on imports of foreign manufactures and capital goods, leading — with a few exceptions — to chronic current account deficits and heavy reliance on foreign savings to finance capital accumulation.[5]

All sources of financing for development — whether traditional or emerging, private or public — should be mobilized in order to sustain the expansion and diversification of LDCs' productive capacities.

Moreover, even in the early and mid-2000s, when the constraints posed by a lack of investment and foreign exchange had eased somewhat, growth translated only weakly into the development of LDCs' productive capacities, which means that its benefits were short-lived. The growth experienced by many LDCs (including some of the fastest-growing ones) has been accompanied by limited economic diversification — if any — and insufficient employment creation outside traditional sectors. This, in turn, has hindered the emergence of high value-added activities, since large numbers of workers have remained confined to low-productivity jobs in the agriculture and informal sectors. As a result, the potential benefits for a very young and increasingly educated population have been largely unrealized in most LDCs (Valensisi and Davis, 2011).

LDC development strategies begin to take full cognizance of the development potential underlying migration and remittances.

Consequently, improved development finance and economic diversification towards higher value-added activities continue to pose major challenges for the world's poorest countries. In pursuit of these objectives, all sources of financing for development — whether traditional or emerging, private or public — should be mobilized in order to sustain the expansion and diversification of LDCs' productive capacities. Accordingly, it is essential that LDC development strategies begin to take full cognizance of the development potential underlying migration and remittances (as in the case of FDI, aid and other external financing flows that have traditionally received far greater attention). Harnessing remittances for increasing productive capacities requires that these resources be considered pragmatically, with the recognition that these are ultimately private sector resources, and taking into account each country's specificities, while avoiding characterizations of this phenomenon as either a "curse" or a "new development mantra" (Kapur, 2004; De Haas, 2005).[6] Remittances should be regarded as one facet of a multi-pronged effort to mobilize adequate sources of development finance; as financial inflows which could prove all the more critical in times of uncertainty and heightened volatility in the global economy.

However, the growing attention paid to remittances should in no way obscure the fact that they cannot be considered as a substitute for foreign direct investment, ODA, debt relief, internal resource mobilization or other sources of finance for development.

On the other hand, and as stated in the IPoA, the growing attention paid to remittances should in no way obscure the fact that, by their very nature, they cannot be considered as a substitute for foreign direct investment, ODA, debt relief, internal resource mobilization or other sources of finance for development. Unlike other types of private capital flows, remittances typically appear to be driven primarily by altruistic/solidarity considerations or implicit contracts with family members remaining at home (Solimano, 2005; Grabel, 2008).[7] They do not entail a corresponding accumulation of external debt and, unlike FDI or portfolio investment, are not subject to profit repatriation or sudden liquidation in times of crisis. Besides, contrary to public sources of development finance, they are comprised of a myriad of (typically small-sized) household-to-household transfers, often taking place through informal or quasi-formal channels. However, remittance flows are not without potential problems or risks (e.g. the so-called "Dutch disease"), which are discussed in chapter 3.

When sent through formal channels, remittances can offer some scope for fostering financial deepening.

From a policy perspective, the distinctive features of remittances potentially provide opportunities for capital-starved economies but also present challenges in terms of their mobilization for productive purposes. Governments typically have only limited policy space to affect the allocation of remittance income, as taxation or mandatory remittance requirements have been largely ineffective (Lucas, 2008). Therefore, realizing the benefits of these additional resources for investment mainly depends on the ability of the State to create a sustainable and development-friendly institutional and macroeconomic environment, to crowd in private investment (including on behalf of remittances recipients).

When sent through formal channels, remittances can offer some scope for fostering financial deepening, by simultaneously supplementing the availability of funds to the financial system and linking up otherwise unbanked households to the financial sector. Yet many migrants resort to informal channels precisely as a reaction to lack of trust in the financial sector and the often excessive costs of formal remittance service providers. The prevalence of informal remittance systems limits the ability of recipient countries to make best use of the additional hard currency sent by overseas migrants and may have adverse effects on monetary and exchange rate variables.

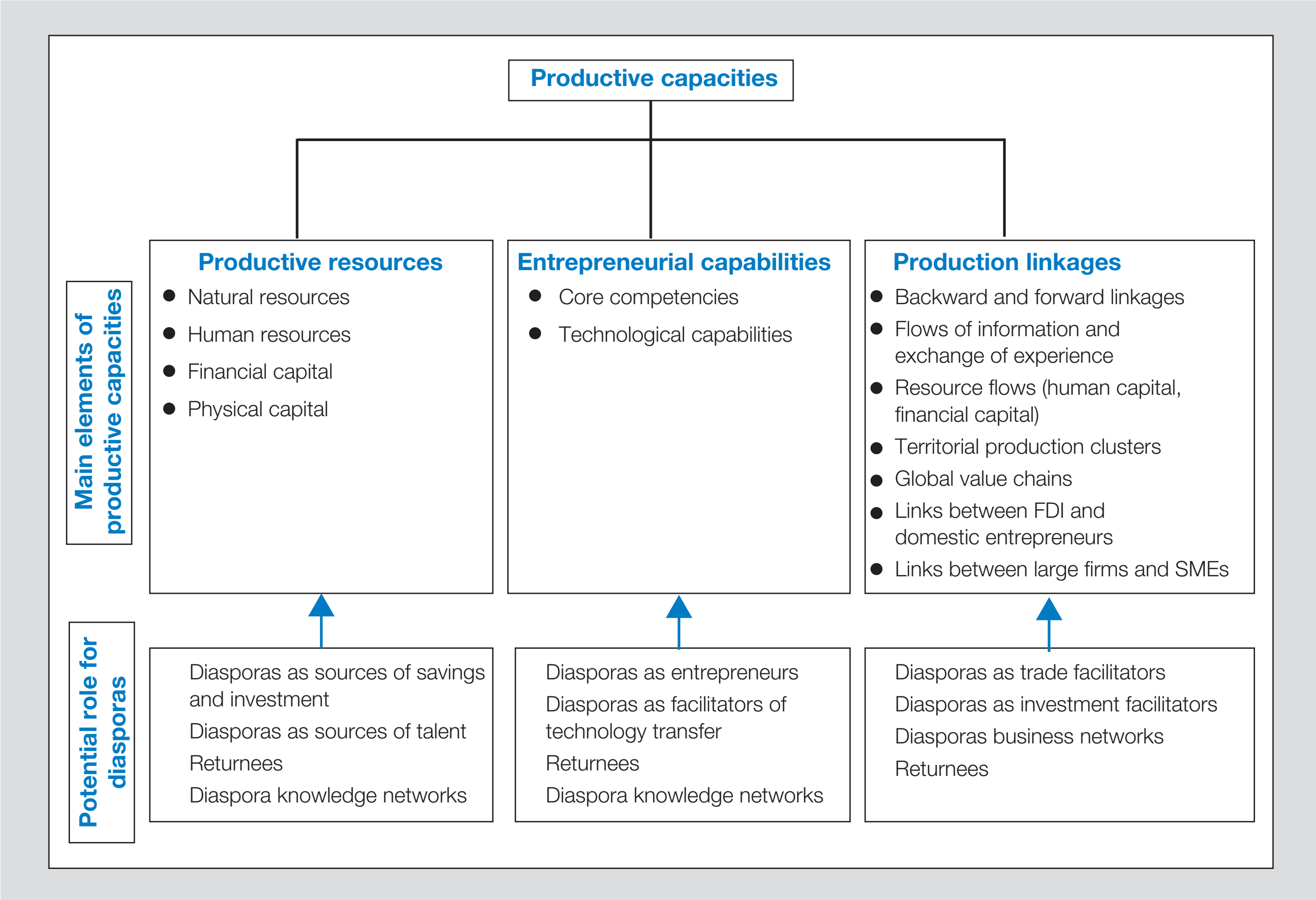
The need for a pragmatic and context-specific policy approach also applies to diaspora engagement.

The need for a pragmatic and context-specific policy approach also applies to diaspora engagement. While it is true that "brain drain" deprives the world's poorest countries of much-needed human capital and skilled professionals, the overwhelming majority of LDC migrants are not highly educated and often move to neighbouring countries with a similar level of development as their country of origin. This being so, it should be evident that the onus of transferring specialized knowledge and technology, when nurturing high-productivity high-value-added sectors, cannot (and should not) be placed wholly on the diaspora. Rather, the latter should be viewed as a potentially important complement to a country's development strategy — one which could be mobilized strategically within the framework of broader policy initiatives to support the development of productive capacities.

The diaspora should be viewed as a potentially important complement to a country's development strategy — one which could be mobilized strategically within the framework of broader policy initiatives to support the development of productive capacities.

In this respect, overseas migrants can play multiple roles in relation to their country of origin. Chart 5 provides a schematic representation of the possibilities and the multiplicity of roles that diasporas can play in contributing to productive capacities in their home countries. For instance, with reference to the expansion of productive resources, overseas migrants may provide additional physical or financial capital and/or make use of their skills and talents to strengthen knowledge accumulation in the home country. This latter aspect may be particularly relevant in countries with a sufficiently large pool of specialized professionals overseas, and may offset some of the losses stemming from brain drain. On the other hand, diaspora communities can enhance entrepreneurial capabilities in the home country by actively supporting technology transfer, knowledge circulation and diffusion, through virtual, temporary or permanent return. Finally, owing to their better knowledge of foreign markets and business practices, overseas migrants are well placed to facilitate the establishment of new international business and production linkages. Through their networks, they may effectively reduce the costs of carrying out market intelligence and cost discovery in foreign markets, integrating domestic firms into international business networks.

Chart 5. Basic elements of productive capacities in the context of diaspora investment and knowledge



Source: Adapted from UNCTAD (2006), chart 8.

In view of the high coordination costs involved in engaging with small-scale overseas organizations, the effective mobilization of a diaspora for development usually depends on the existence of a critical mass of migrants in a given destination. Moreover, policies for diaspora engagement must also factor in the country-specific patterns of out-migration, in terms of the time horizon (seasonal, temporary, circular, or permanent migration), the skill profile of migrants, the age groups targeted (for instance overseas students with advanced degrees, professionals, or pensioners), and so on. Policies to engage with the diaspora are likely to be more promising if they adopt a strategic approach that supports the overall developmental objectives of the country.

Both the effective mobilization of remittances and the successful engagement of the diaspora for the development of productive capacities requires a coherent policy framework and the establishment of strategic partnerships to engage diaspora communities in the promotion of business linkages, technology transfer, and skills and knowledge circulation.

On the whole, both the effective mobilization of remittances and the successful engagement of the diaspora for the development of productive capacities warrant a combination of policies at multiple levels. These range from “development-friendly” macroeconomic policies aimed at stimulating greater use of remittances for productive purposes and broadening the scope for a favourable transfer of skills, knowledge and technologies to prudential financial and regulatory reforms aimed at reducing transaction costs for remittances and providing stable and secure financial contexts, and meso-level policies to promote innovation in productive sectors. All this in turn requires a coherent policy framework related to migration and remittance issues, and the establishment of strategic partnerships to engage diaspora communities in the promotion of business linkages, technology transfer, and skills and knowledge circulation.

The rest of this chapter introduces the discussion on remittances and diaspora issues by briefly reviewing LDC migration trends. It is important to emphasize that the main interest of this Report is not migration per se but rather the potential economic impact of migrants and the policies or measures that home countries can introduce to translate this potential into concrete economic benefits for society as a whole.

B. Overview of LDC migration

Although LDC migration is often assumed to be a South–North phenomenon, it has taken on a South–South dimension in recent decades.

There is no universally accepted definition of international migration. This Report adopts the definition of international migration (IOM, 2008) as "the movement of persons who leave their country of origin, or the country of habitual residence, to establish themselves either permanently or temporarily in another country".[8] This section aims to explore the nature and extent of contemporary LDC migratory patterns, especially those linked to economic factors.

On a global level, South–North migration is the fastest-growing component of permanent international migration in both absolute and relative terms.[9] The United States remains the most important migrant destination in the world, home to one-fifth of the world's migrants and the top destination for migrants from sixty sending countries. Migration to Western Europe remains largely from elsewhere in Europe. The oil-rich Gulf States have emerged as major destinations for migrants from the Middle East, North Africa and South and Southeast Asia.

In 2010, high-income OECD countries accounted for 20 per cent of the LDC emigrant stock.

Although LDC migration is often assumed to be a South–North phenomenon, it has taken on a South–South dimension in recent decades. Only 20 per cent of migrants from LDCs emigrated to high-income OECD countries (namely North America and Europe) in 2010; around 80 per cent of LDC emigrants migrate within the South (see chart 8). While migration from the African LDCs is mostly an intraregional phenomenon and often constitutes forced migration, in the case of the Asian LDCs, economic motives are more important, and migrants' preferred destinations are India and the Gulf States.

LDC migration has the potential to generate welfare gains for migrants and their countries of origin and to reduce poverty (Ratha, 2006). The benefits to countries of origin arise mainly through remittances sent home by migrants. This Report argues that there may be considerable untapped potential for leveraging remittances and other diaspora resources for the benefit of the home countries. Nevertheless, migration should not be considered a substitute for economic growth and employment generation at home. Indeed, there are potential socioeconomic costs of international migration, both for countries of origin (e.g. potential loss of skilled human capital, or so-called "brain drain") and destination countries (e.g. social cohesion). Moreover, LDC migrants may be adopting increasingly risky strategies to move, often exploring new and diverse destinations through formal and informal channels such as human traffickers (Adepoju, 2009; Hammar et al., 1997).

Around 80 per cent of LDC emigrants migrate within the South.

As of 2010, the 48 LDCs had a combined population of 832.6 million, almost 14 per cent of the world population. Some 63 per cent of the LDC population lives in Africa (526 million), 36 per cent in Asia (303 million), 0.4 per cent in island LDCs (3.4 million).

1. Main types of LDC migration and definition of terms

Table 3 lists some of the generic terms and definitions related to migration used in this report. Migration may be categorized according to location, type of migration and migrant. The seasonality and circularity of LDC migration has been stressed in several studies (Russell, 1990; Ratha and Shaw, 2007; Vertovec, 2007, Cali, 2010). Seasonal movements are typically those of adult males seeking off-season (i.e. post-harvest) work. Circular migration mainly involves people who migrate to augment household income with the clear intention of returning to the country of origin. An interesting distinction arises between seasonal and transhumance10 movements. In the latter, migrants have established livelihoods in two distinct areas, and have access to land and other rural productive assets in both. However, seasonal migrants mainly move to work for others, and their primary asset is their labour. In some LDCs where migrants are recruited to work abroad, contractual arrangements governing this migration require return to the country of origin at the end of the contract. Some instances of this include the Canadian Seasonal Agricultural Worker's Programme (for Mexico and the West Indies) and LDC emigration to South Africa, where there is a requirement that after two years of working in a mine, the migrant workers must return home, often repeating the process for several years if their labour remains in demand (Tati, 2008). Nonetheless, it is very difficult to estimate the extent of temporary migration or to distinguish between it and permanent migration because of limited data availability. Most accounts which exist have to be pieced together from household surveys mainly conducted at the village level. Yet this distinction is likely to be relevant in policy terms for LDCs. For example, the incentives for skill development as well as remittance flows would differ between temporary and permanent migration.

Given the youthful demographic structure of most LDCs, young adults typically move more than older adults.

Making comparisons is difficult owing to the varying definitions used in the extensive migration research literature and empirical surveys, but one thing is clear: in LDCs, cross-border migration is an important livelihood strategy for many households (Ratha, Mohapatra and Saheja, 2011). There are several examples of different types of LDC migration, but some general trends can be identified. First, given the youthful demographic structure of most LDCs, young adults typically move more than older adults (see box 2). This is in part due to life-cycle differences between age groups and levels of education (see Leliveld, 1997).

In LDCs, men migrate more on average than women (particularly in Asian LDCs) due to the persistence of particular gender roles in most rural societies where women have primary responsibility for child-rearing and domestic tasks.

Second, in LDCs, men migrate more on average than women (particularly in Asian LDCs) due to the persistence of particular gender roles in most rural societies where women have primary responsibility for child-rearing and domestic tasks. This often limits opportunities for women to migrate, perhaps with the key exceptions being young, unmarried women from households where they can be absent (i.e. households where several older women already reside) or women migrating to join their partners at the destination. Notwithstanding, female migration has been increasing recently (Ghosh, 2009). When they do migrate, women migrant workers are generally employed in service activities (including the care economy), whereas male migrants are more likely to be found in the manufacturing, production and construction sectors, in addition to some services.

Migration is an important livelihood strategy and largely operates within a context of temporary migration.

Third, in LDCs migration is an important livelihood strategy and largely operates within a context of temporary migration. The migrant remains part of the household and is expected to send remittances home. Fourth, some migration occurs as a survival strategy, while some is based on a rational income-maximizing strategy to take advantage of regional or international wage differentials, irrespective of conditions at home. Educational qualifications and skills make such migration more feasible for young people. Indeed, different types of migration coexist in the same location, with for example well-educated youth moving to urban conurbations for well-paid jobs and unskilled labourers looking for any kind of job, whether in a rural or urban locality (Thakur, 1999; Hammar et al., 1997).

Table 3. Typical migration definitions

Term	Definition	Type of migrant
Rural	Living in, or characteristic of the countryside — areas where human settlement is not the main feature of the landscape.	Unskilled labour
Urban	An area of dense settlement, usually dominated by buildings, roads and other infrastructure. In population data, urban may be defined by the size of contiguous settlement. Periurban: an area close to and surrounding the urban.	Mainly young men Skilled vs unskilled labour White collar 'brain drain'
Circular migration	Migration that is temporary, which is not tied to seasonal factors of agricultural production (Ellis1998). Implies that the migrant returns to the area of origin. Period away may be short or long.	Guest worker Company transfer
Seasonal migration	Temporary migration which occurs in slack/off-season of farm work. Implies migration for no more than a few months at a time.	
Step migration	Migrants first move to a staging point, before moving further afield. For example, movement from village to small town to large city, to international destination.	
Chain migration	Migration where one member of the household first moves, later to be joined by others from the household.	Guest worker Company transfer
Bi- and multi-locality households	A household involving two or more geographical locations. One part of the household may live in a rural area (e.g. wife and children) while the other (e.g. husband) may live in a regional city or international destination. Stresses interaction and mobility between the two areas.	
Internal/international migration	Internal migration describes people on the move within a country; international migration involves crossing a recognized international border.	
Forced migration	This refers to refugees, internally displaced persons (IDPs) and asylum seekers. Refugee status is conferred on international migrants when a particular set of conditions linked to oppression and fear of persecution in one's home country are satisfied. Asylum seekers are those awaiting the award of refugee status.	Refugees

Source: Adapted from Toit, 1990; McDowell and de Haan, 1997; Widgren and Martin, 2002.

2. Migration to the LDCs

The global matrices of international migrant stocks spanning the period 1960–2010, disaggregated by gender and based primarily on the foreign-born concept (United Nations, 2011),[11] are the main source of globally comparable international migration data. As this reflects the stock of migrants living in a given foreign country, it is a measure of immigration (this is not the same as a measure of emigration, i.e. data for which both the source and destination of migration are known, which is based solely on World Bank (2011) estimates in a bilateral matrix of 212 countries).[12] The global stock of international migrants increased from 92 million in 1960 to about 214 million by 2010, with LDCs currently hosting some five per cent of the global stock of international migrants.

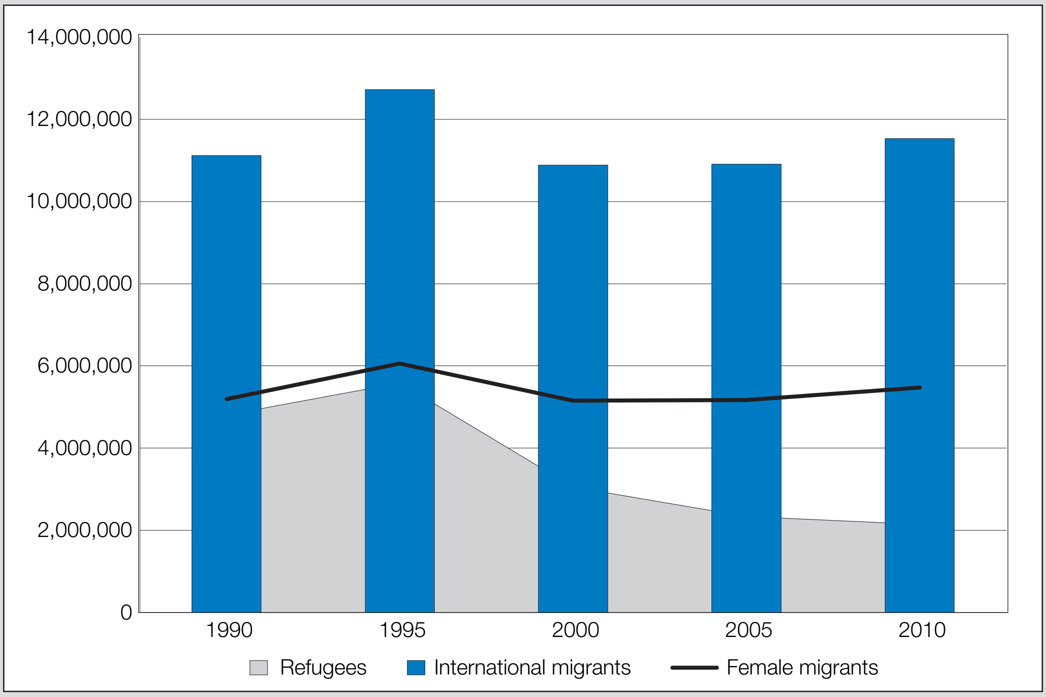
Refugees constitute a significant but declining share of the total number of immigrants residing in LDCs. Their share of the total migrant stock in LDCs peaked at 44 per cent in 1995 but then declined rapidly thereafter.

Between 1990 and 2010, the stock of international immigrants within LDCs grew very little. During this time, the migrant stock in the LDCs increased by four per cent compared with a global average of 27 per cent and increases of 20 per cent in other developing countries and 55 per cent in developed countries.

Refugees constitute a significant but declining share of the total number of immigrants residing in LDCs. In 2010, the number of refugees worldwide was 16.3 million, around eight per cent of the total number of international migrants. Refugees accounted for a higher share of the international migrant stock hosted in LDCs: their share of the total migrant stock in LDCs peaked at 44 per cent in 1995 but then declined rapidly thereafter, reflecting an improvement in governance structures in many African countries and a reduction in the level of conflict and political instability. The refugee population by country or territory of asylum in LDCs was 2.1 million in 2010 (see chart 6), accounting for 18 per cent of LDC immigrants.

Females represent about half of the global migrant stock, a share that has remained relatively stable over time. Compared with the worldwide distribution

Chart 6. The international migrant stock resident within LDCs 1990–2010



Source: United Nations, Department of Economic and Social Affairs, Population Division (2011). *Trends in International Migrant Stock: Migrants by Age and Sex* (United Nations database, POP/DB/MIG/Stock/Rev.2011).

(49 per cent), the share of female migrants resident in LDCs is slightly lower, but has stayed the same at 5.4 million (47.6 per cent) over the past decade (see chart 6). The number of female migrants resident in LDCs rose by five per cent during the period 2000–2010. It also appears that the pattern of female migration is changing, as women increasingly migrate alone, rather than primarily as dependents of male migrants (United Nations, 2008). The topic of gender and LDC migration is also discussed in box 1.

The pattern of female migration is changing, as women increasingly migrate alone, rather than primarily as dependents of male migrants.

Box. 1 Gender and LDC migration

Female migration has risen mainly due to pull factors, especially growing demand for female labour in high-income countries. This can be linked to globalization, particularly the globalization of the care economy (including domestic service and health services), via the restructuring of the labour force and the generation of job opportunities specifically for women migrant workers. In Europe and North America, many migrant women find employment as domestic workers or the broader service sector. Some enter the entertainment sector, including the sex trade (Ehrenreich and Hochschild, 2003). Given that most high-income OECD households are now dual income (around 65 per cent), in 2007, an estimated six out of 10 women with dependent children (aged 0-16) were in paid employment (OECD, 2011a). This has generated an increase in the outsourcing of domestic work, creating job opportunities for LDC migrants as nannies and housekeepers. North America and Europe have ageing populations, creating more demand for elderly care and public health related services, which is increasingly being addressed through female migrant labour (Pessar and Mahler, 2003; Mahler and Pessar, 2001). A unique element of this pattern of female migration concerns what has been called “diverted mothering” — the creation of transnational families and potentially new deficits of care and nurturing in LDCs resulting from the separation of mothers and spouses from their families; often, another female member of the extended family (mother, sister, eldest daughter, etc.) takes over the care of the female migrant’s children (Jones, 2008).

Migration can provide women with employment opportunities and the ability to improve their living standards in their country of origin. For example, Goldstein et al, (2000) and Essim et al., (2004) find that in Ethiopia, women migrate more than men, primarily for work-related reasons (mainly in domestic service). Migration can also provide occupational and educational opportunities for women that are often unavailable in their country of origin (Ghosh, 2009).

As previously noted, women from LDCs migrate less than men on average (particularly in Asian LDCs) due to the persistence of gender roles in most societies, whereby women have primary responsibility for child-rearing and domestic tasks. This often limits opportunities for women to migrate, with typical exceptions being young, unmarried women from households where they can be absent because of the presence of older women members, or women migrating to join their partners at the destination. Most female migrants are concentrated in low-paid care, health and light manufacturing assembly sectors.

Box. 2 Rural–urban drift and demographic factors driving LDC migration

The world's main migrations have been predominantly from rural to urban areas, and internal migration has been a major issue in development policy since the last century. Some of the world's most populous countries such as India, as well as the LDCs, are still predominantly rural, but this too is changing with more rapid urbanization.

The LDC population is projected to grow rapidly from around 850 million in 2011 to 1.2 billion by 2030 (United Nations, 2011). The economically active population (15 to 64 year old) is forecast to nearly double between 2011 and 2030. As a consequence, LDCs may need to create an estimated 170 million new jobs by 2030 in order to absorb new labour market entrants. This is a challenging task: although GDP in LDCs grew at nearly seven per cent per year during the 2000s, the rate of job creation was a mere 2.9 per cent (ILO, 2011). Most LDCs experienced jobless growth, with open unemployment at an average of six per cent during this decade (ILO, 2011).

Demographic dynamics in the LDCs appear to be sluggish and the youthful population structure is set to persist in the medium term (Valensisi and Davis, 2011). These demographic dynamics, together with high labour force participation rates, are likely to put increased pressure on domestic labour markets. Most LDCs continue to be characterized by a large rural population, with the notable exception of a few mostly small countries (Angola, Djibouti, Gambia, Liberia, Sao Tome and Principe). In 2010, less than one-third of the LDC population lived in urban areas.

The share of rural to total population in LDCs has steadily declined since 1980, and Asia has seen a particularly rapid decline since 1995. On average, annual growth of the urban population during 2000–2010 was four per cent for all LDCs, compared with 1.7 per cent for the rural population. In Africa, the figures were 4.3 per cent and 2.1 per cent respectively, as against 3.6 per cent and 1.1 per cent for Asia.

Where the incidence of migration has been recorded, the evidence is that migration is quite common, with 10 to 50 per cent of surveyed households typically having an adult migrant (World Bank, 2011b). This tends to involve young men more than other older persons and females. Migration levels are often higher from areas of low potential for farming, but much also depends on opportunity to move and awareness of the possibilities, as well as social networks and other enabling features (United Nations, 2008; McDowell and de Haan, 1997). Migration does not always imply a definitive break, as an individual often departs as part of a household livelihood strategy, in which many migrants return.

3. Patterns of LDC emigration

As previously noted, the main determinants of LDC emigration may be classified as distress-push or demand-pull drivers. Distress-push emigration may be described as following from constraint-related motives (e.g. environmental degradation, poverty, displacement, conflict); whereas demand-pull emigration is driven by a desire to exploit new economic opportunities (e.g. wage differentials or employment prospects).

Emigration from LDCs grew rapidly during the period 1990–2010. In 2010, LDCs as a whole accounted for 13 per cent of global emigration stocks or approximately 3.3 per cent of the LDC population.

Chart 7 shows that emigration from LDCs grew rapidly during the period 1990–2010. With 27.5 million emigrants in 2010, LDCs as a whole accounted for 13 per cent of global emigration stocks or approximately 3.3 per cent of the LDC population (table 4). Over 2000–2010, the increase in emigrant stocks was most rapid for African LDCs.

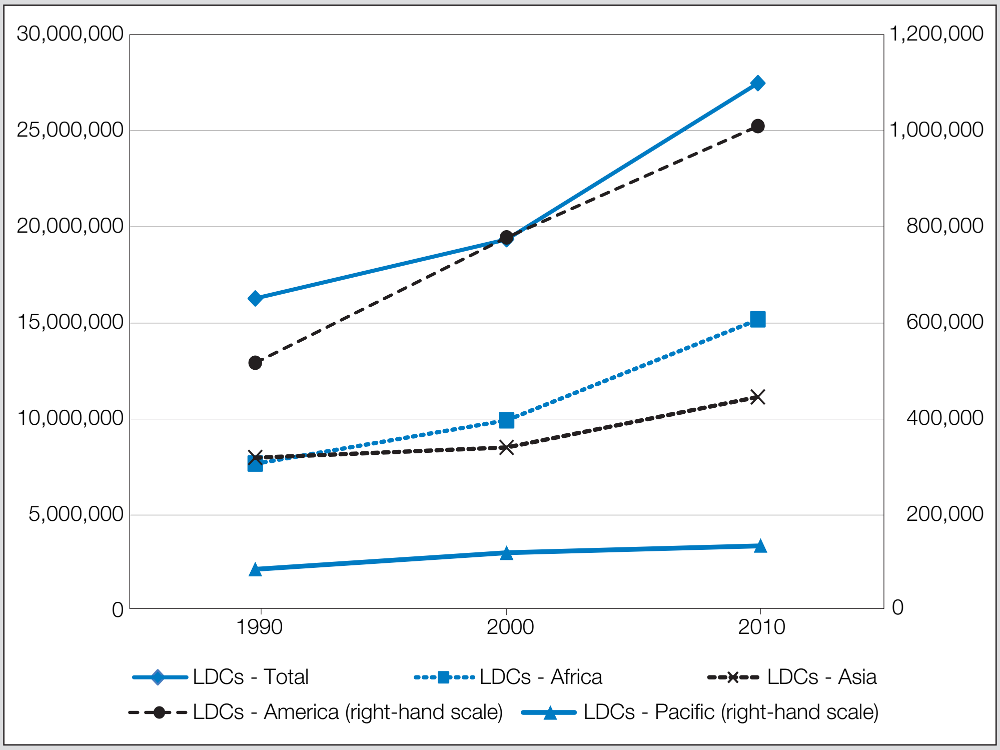
The LDC regions where emigrants account for the highest share of population are the Pacific Island regions at 13 per cent, and Haiti in the Americas at 10 per cent. Inhabitants of island LDCs appear to have a higher propensity to emigrate than other LDCs and developing countries, mostly in the form of temporary

Table 4. LDC stock of emigrants, by regions, 1990–2010

LDC regions	Emigration stock			Regional share of LDC total emigration stock (%)			Regional emigrant stock as share of total population (%)			Percentage change in emigrant stock (%)
	1990	2000	2010	1990	2000	2010	1990	2000	2010	2000–2010
LDC Africa	7,676,309	9,934,059	15,183,115	47	51	55	3	3	3	53
LDC Americas	516,979	777,935	1,009,751	3	4	4	7	9	10	30
LDC Asia	7,991,115	8,521,202	11,147,518	49	44	41	4	3	4	31
LDC Pacific	87,379	121,642	136,124	1	1	0	13	14	13	12
LDC Total	16,271,782	19,354,838	27,476,508				3.2	2.9	3.3	42

Source: UNCTAD secretariat calculations based on Ratha and Shaw (2007) updated with additional data for 71 destination countries as described in World Bank (2011b).

Chart 7. LDC stock of emigrants, 1990–2010



Source: UNCTAD secretariat calculations based on Ratha and Shaw (2007), updated with additional data for 71 destination countries as described in World Bank (2011b).

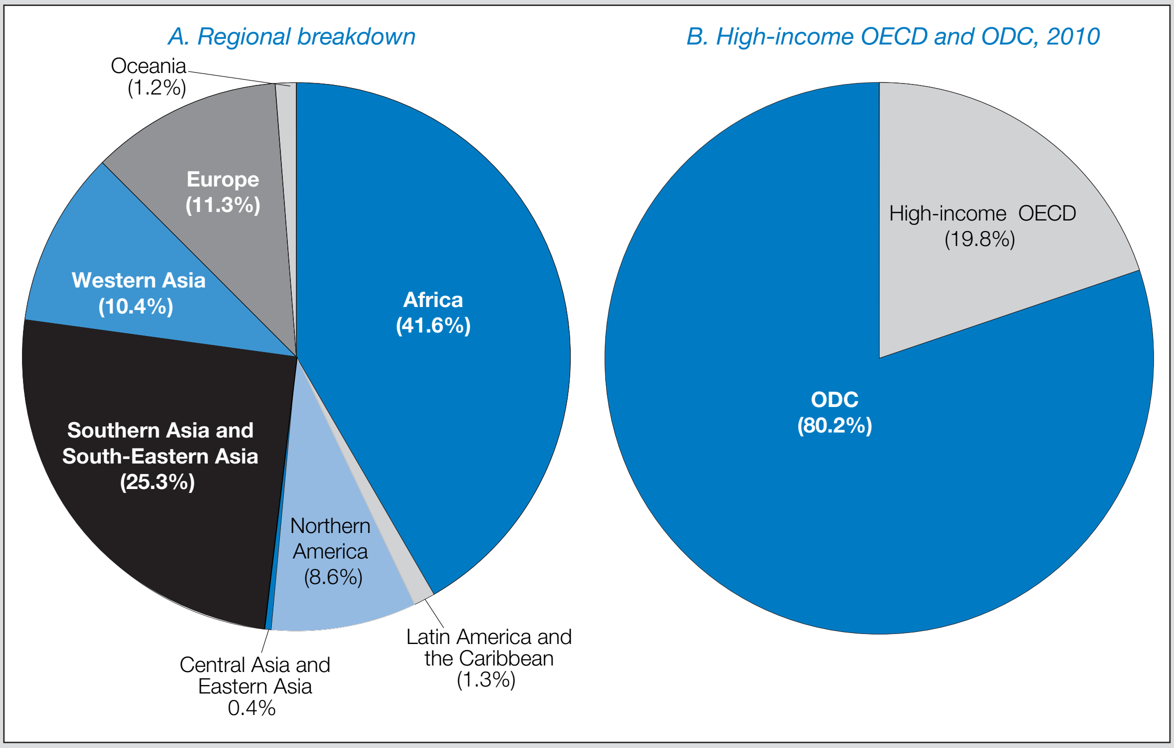
labour migration for work (chart 7). LDC Pacific island emigrants mainly migrate to Australia and New Zealand, both of which have initiated temporary seasonal labour schemes that attract such migrants.

The destination of emigrants from LDCs varies across regions (chart 8a). Most LDC emigrants go to South Asia, the Middle East and Africa. High migration within sub-Saharan Africa probably reflects the facts that (a) much of African migration is forced (refugee flows) and by poor people, as a result of which proximity is crucial; and (b) Africans generally face great difficulty entering other countries. Among the high-income regions, only the Gulf States have a high share of South Asians, and no country has a high share of Africans. Chart 8b shows that around 80 per cent of LDC migrants migrate within the South, as a result of which LDCs and ODCs are important countries of destination.

The destination of emigrants from LDCs varies across regions. Among the high-income regions, only the Gulf States have a high share of South Asians, and no country has a high share of Africans.

Globally, developed countries tend to accept skilled immigrants, but increasingly erect barriers to exclude the unskilled unless there is a high level of demand for their labour in particular sectors (e.g. agriculture or construction) (UNDP, 2009). LDC migrants tend to be younger than those from other countries, with a median age of 29 years, compared with 34 in other developing countries and 43 in the developed countries (Valensisi and Davis, 2011; Melde and Ionesco, 2010). This is closely associated with educational attainment, as the majority of emigrants who have attained at least tertiary education tend to migrate to developed countries (United Nations, 2010b). In fact, Haiti (83 per cent), Samoa (76 per cent), the Gambia (63 per cent) and Sierra Leone (53 per cent) have the highest emigration rates[13] of tertiary-educated LDC populations (World Bank, 2011a). The main LDC emigration corridors are in the South (chart 9). The main countries of emigration in 2010 were Bangladesh, with 4.9 million emigrants, and Afghanistan, with two million emigrants.

Chart 8. Destination of emigrants from LDCs: (a) regional breakdown, (b) high-income OECD and ODCs, 2010



Source: UNCTAD secretariat calculations based on Ratha and Shaw (2007), updated with additional data for 71 destination countries as described in World Bank (2011b).
Note: The high-income OECD category is comprised of the United States of America, Canada and Europe.

The key determinants of LDC emigration appear to be socioeconomic circumstances, wage differentials (rural–urban as well as international), armed conflict and political unrest, along with natural disasters and climate-induced migration.

Inhabitants of Asian and Pacific LDCs appear to have higher propensities to migrate to non-LDCs than those of African LDCs.

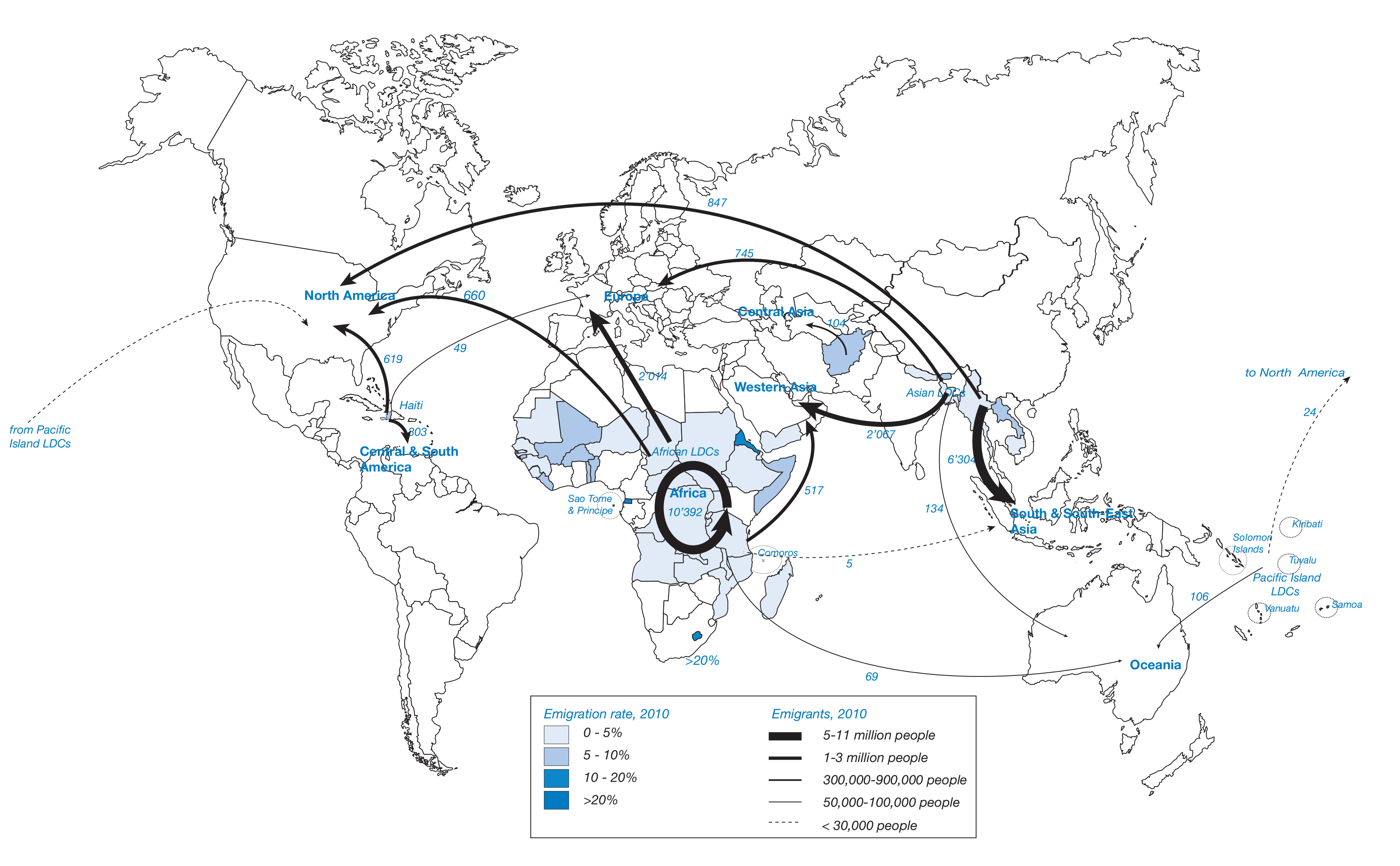
The key determinants of LDC emigration appear to be socioeconomic circumstances, wage differentials (rural–urban as well as international), armed conflict and political unrest, along with natural disasters and climate-induced migration. Nonetheless, despite the LDCs' relative lack of productive capacities and higher average rates of poverty, they have a similar emigration rate to the global average of three per cent, which is in fact lower than the South American emigration rate.

Most LDC South–South migration tends to take place between neighbouring countries, where wage differentials are in general much smaller than in South–North migration (see chart 9). Nonetheless, despite the wage differential, the welfare and income gains from this pattern of migration are estimated to be quite significant (Ratha, 2006; Ratha and Shaw, 2007).[14]

Inhabitants of Asian and Pacific LDCs appear to have higher propensities to migrate to non-LDCs than those of African LDCs, which recorded the highest share of emigrants residing in other LDCs in 2010. Chart 10 shows that the main sources of intra-LDC migration were in sub-Saharan Africa, particularly Eritrea, the Democratic Republic of Congo and Sudan.

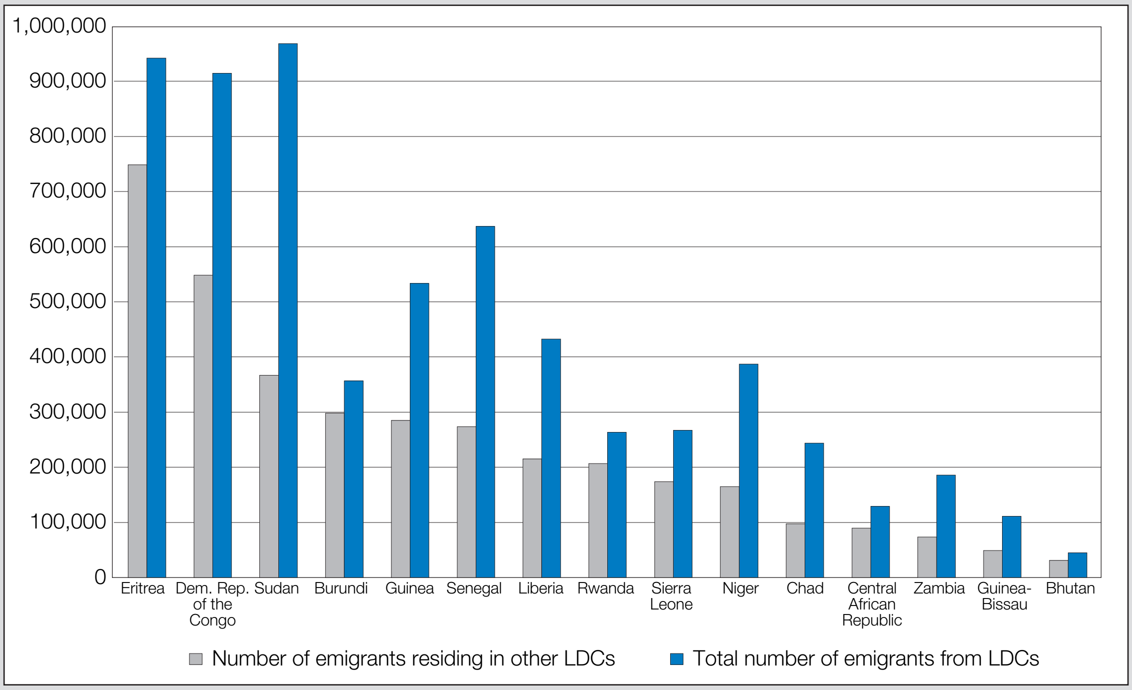
In 2010, the LDCs with the highest share of emigrants as a percentage of the total LDC emigrant stocks were Bangladesh (19 per cent), Afghanistan (eight per cent), Burkina Faso (six per cent) and Mozambique (four per cent). These countries were also part of the main migration corridors: Bangladesh — India, Afghanistan — Iran, Burkina Faso — Cote d'Ivoire, Yemen — Saudi Arabia and Nepal — India (table 5). Asian LDCs such as Bangladesh, Afghanistan, Yemen and Nepal tend to have India or the Middle East as the first or second country

Chart 9. Main LDC emigration corridors, 2010



Source: UNCTAD secretariat calculations based on Ratha and Shaw (2007), updated with additional data for 71 destination countries as described in World Bank (2011b).

Chart 10. LDCs with highest numbers of emigrants residing in other LDCs, 2010



Source: UNCTAD secretariat calculations, based on Ratha and Shaw (2007) updated with additional data for 71 destination countries as described in World Bank (2011b).

of destination. For African LDCs, the key emigration corridors are within Africa, although 34 per cent of Sudan's emigrants migrate to the Middle East, namely Saudi Arabia and Yemen. Most Haitians migrate to the USA (54 per cent) and the Dominican Republic (28 per cent).

For African LDCs, the key emigration corridors are within Africa.

4. Conclusions

At the beginning of this chapter, we discussed key migration concepts such as circular, temporary or permanent migration, step, chain and forced migration. In the context of the LDCs, circular migration concepts may reflect the pattern of migration most commonly observed, namely, non-permanent (often seasonal) movements within and across national boundaries between the countries of destination and origin.

It is worth noting that the vast majority of people in the LDCs do not migrate. The data presented in this chapter show that only some three per cent of the world's population and in the case of LDCs 3.3 per cent are migrants living outside their country of birth (see also Ratha and Shaw, 2007). As previously noted, approximately 80 per cent of LDC migrants migrate within the South, as a result of which LDCs and ODCs are important countries of destination. Moreover, as far as LDCs are concerned, cross-border migration is a key livelihood strategy for many households (Ratha et al., 2011). For example, intra-African LDC migration is significant in terms of scale and should be an important aspect of future African Union policy elaboration on labour markets, migration and refugee management.

Intra-African LDC migration is significant in terms of scale and should be an important aspect of future African Union policy elaboration on labour markets, migration and refugee management.

Migration in some cases is a conscious household decision about the allocation of labour to where it earns its highest net returns, and some of these flows effectively overcome limitations in domestic insurance and capital markets. In general, economic motivations may be a strong determinant of migration;

Table 5. Top 15 main emigration corridors for LDCs, 2010

Source country	Main emigration corridor			Second main emigration corridor			Third main emigration corridor			Cumulative importance of 3 main emigration corridors (%)	Total number of emigrants
	Primary emigration corridor[a]	Importance of primary corridor[b] (%)	1st country of destination	Second emigration corridor[a]	Importance of 2nd corridor[b] (%)	2nd country of destination	Third emigration corridor[a]	Importance of 3rd corridor[b] (%)	3rd country of destination		
Bangladesh	3,299,268	61	India	447,055	8	Saudi Arabia	422,325	8	Other South	77	5,384,706
Afghanistan	1,704,199	72	Iran, Islamic Republic of	215,649	9	Other South	79,444	3	Germany	85	2,350,633
Burkina Faso	1,310,892	83	Côte d'Ivoire	167,834	11	Other South	29,881	2	Niger	96	1,578,254
Mozambique	454,548	39	South Africa	159,945	14	Malawi	158,722	13	Zimbabwe	66	1,179,776
Yemen	894,109	80	Saudi Arabia	60,401	5	United Arab Emirates	58,342	5	United States	90	1,124,505
Mali	440,960	43	Côte d'Ivoire	133,464	13	Nigeria	98,799	10	Other South	66	1,013,721
Haiti	545,437	54	United States	279,216	28	Dominican Republic	73,753	7	Canada	89	1,009,432
Nepal	564,906	57	India	175,454	18	Qatar	73,154	7	Other South	83	983,156
Sudan	279,409	29	Saudi Arabia	191,103	20	Uganda	126,109	13	Yemen	62	967,980
Eritrea	458,042	49	Sudan	290,383	31	Ethiopia	90,688	10	Other South	89	942,232
Dem. Rep. of the Congo	372,964	41	Rwanda	85,476	9	Uganda	78,458	9	Congo	59	914,685
Somalia	161,179	20	Ethiopia	110,326	14	United Kingdom	109,618	13	United States	47	813,218
Uganda	531,218	70	Kenya	70,733	9	Other South	54,122	7	United Kingdom	87	758,227
Senegal	177,306	28	Gambia	91,446	14	France	81,424	13	Italy	55	636,476
Ethiopia	152,094	25	Sudan	139,693	23	United States	87,556	14	Israel	61	620,147

Source: UNCTAD secretariat calculations based on Ratha and Shaw (2007) updated with additional data for 71 destination countries, as described in the *Migration and Remittances Factbook, 2011*.

a Denotes the number of emigrants from a source country to a particular destination country, each ranked in terms of importance as a destination for emigration.

b Denotes the share of emigrants from a source country to a particular destination country, each ranked in terms of importance as a destination for emigration.

however, it is important to note that migration is substantially influenced by information about opportunities, networks and by social contacts that facilitate it.

For LDCs it is essential that greater emphasis be placed on creating more domestic employment and educational opportunities to upgrade skill levels in order to help check the rising tendency of irregular migration.

As previously noted, given high rates of population and labour force growth and declining agricultural productivity, rural-to-urban migration may continue to outpace the capacity of cities to absorb large influxes of new labour. This has the potential to generate more emigration abroad, especially among youth. Indeed, it could be argued that due to the lack of employment opportunities (what the ILO terms the "decent work deficit") in LDCs, youth emigration has led to higher levels of irregular and undocumented international migration (IOM, 2008). Accordingly, for LDCs it is essential that greater emphasis be placed on creating more domestic employment and educational opportunities to upgrade skill levels in order to help check the rising tendency of irregular migration.

However, migration has rapidly become a phenomenon that LDCs can no longer afford to ignore. South–South migration is also becoming more important for LDCs. For most LDCs (particularly in Africa), international migration is dominated by intraregional movements, often of refugees and seasonal (often undocumented) labour migrants. In addition, female migration is increasing and there is growing diversification of migration destinations.

Despite a declining trend, one out of five refugees worldwide still received asylum in an LDC — a disproportionate burden on national budgets and economic development that needs to be better shared with more developed countries.

A high proportion of migrants from LDCs (especially African LDCs) tend to fall into the refugee category, reflecting forced migration. As is the case with conventional economic migration, when mass forced migration occurs, there is significant loss of human and financial capital, of labour and skilled workers in the country of origin. In the case of LDCs, most of this forced migration is usually to neighbouring countries and can have damaging short-term effects, particularly in terms of strains on host resources (Lucas, 2008; Wahba and Zenou, 2011; World Bank, 2011a). Despite a declining trend, one out of five refugees worldwide still received asylum in an LDC — a disproportionate burden on national budgets and economic development that needs to be better shared with more developed countries.

Migration is increasingly an international policy priority for LDCs as well as ODCs and high-income OECD countries due to both social policy and economic concerns about managing both migrant labour flows and refugees.

Migration is increasingly an international policy priority for LDCs as well as ODCs and high-income OECD countries due to both social policy and economic concerns about managing both migrant labour flows and refugees. In the African context, for example, in July 2001 the Council of Ministers of the African Union met in Lusaka with the aim of addressing emerging migratory patterns and ensuring the integration of migration and related issues into national and regional agendas for security, stability, development and cooperation. The meeting also agreed to work towards fostering the free movement of people and strengthening intra- and inter-regional cooperation in migration matters (African Union, 2006; African Union Commission, 2004). Since 1996, both the Economic Community of West African States (ECOWAS) and the East African Community (EAC) have successfully adopted full free movement of labour conventions.

Several international initiatives and policies have also emerged around the need to develop effective migration policies on a global level. The Global Forum on Migration and Development (GFMD) has to some extent promoted international dialogue. Similarly, the Global Migration Group (GMG)[15] has played an important role in fostering better coordination and supporting the activities of Member States (for example, the collaboration between UNHCR and the International Organization for Migration in 2011 to evacuate foreign workers from Libya).

The improvement of international cooperation on migration and development in LDCs is required to optimize migrant contributions at all levels. Thus, at the bilateral and regional levels, there is a need for further progress to strengthen international cooperation.

Notes

1 In contrast, in the early 2000s, remittances and diaspora engagement were overlooked in the Brussels Programme of Action for the LDCs in 2001 and were barely mentioned in the final document of the Monterrey Consensus on Financing for Development in 2002.

2 On the analysis of economic development from the standpoint of balance of payments constrained economies refer, among others, to (Thirlwall, 2011, 1979; Chenery and Bruno, 1962; UNCTAD, 2006).

3 Over the 2000–2010 period, the investment ratio barely reached 20 per cent of GDP for both the median LDC and the weighted average of the LDC group.

4 In 2010, school enrolment rates for primary, secondary, and tertiary education were respectively 85 per cent, 32 per cent and 6 per cent in the LDCs, compared with 87 per cent, 54 per cent and 20 per cent in other developing countries.

5 Notwithstanding the recent commodity boom (2002–2008), over the past decade current account deficits in the median LDC averaged 6.5 per cent of GDP, with the LDC group as a whole posting a smaller but still negative balance (2.8 per cent).

6 The two expressions are borrowed respectively from Abdih et al. (2012) and Kapur (2004).

7 The explanation of remitting behaviour as an implicit intertemporal contract arrangement among family members goes as follows (Poirine, 1997; Brown, 1997). In a first stage, family members support the prospective migrant by covering the costs of migration (and possibly of specific human capital accumulation); expenditures which are typically paid upfront and may constitute a substantial share of his/her income. In general, the underlying "investment decision" on the part of the household may stem from the expectation of higher income streams once the migrant finds a job abroad or from the desire to diversify the sources of household income. In either case, once the migrant is settled abroad and has found a job, he/she will repay the implicit loan by transferring resources back to his/her family in the form of remittances. The enforcement of the implicit contract typically stems from family trust, solidarity and on the cost of retaliation by household and community members for breaching the agreement.

8 The importance of the concept of circular migration is clear, as it offers destination countries a steady supply of needed workers in both skilled and unskilled occupations without the requirements of long-term integration. Patterns of circular migration have the potential of providing "win-win" benefits for both countries of origin (which can benefit from the inflow of remittances while migrants are abroad and their investments and skills upon return) and countries of destination or safer legal migration).

9 It may also be the case that temporary migration is faster for South–South (IOM, 2008).

10 Transhumance migration is the seasonal movement of people with their livestock between fixed summer and winter pastures. The term is also used to denote nomadic pastoralism, the migration of people and livestock over longer distances.

11 For most countries, the definition of the stock of international migrants is the stock of foreign-born residents (close to 80 per cent of the countries), but the stock of foreign-nationals is used for some countries (close to 20 per cent of the countries). It includes refugees. The data used to estimate the international migrant stock at a particular time are obtained mainly from population censuses. The estimates are derived from the data on foreign-born population — people who have residence in one country but were born in another country. It does not account for all international migrants, as many are undocumented (illegal) and are thus not reflected in the data presented (United Nations, 2011).

12 In the World Bank data set, over one thousand census and population register records are combined to construct decennial matrices corresponding to the last five completed census rounds. It provides a comprehensive picture of bilateral global migration (i.e. the volume and rate of emigration between countries) since 1960. As previously noted, this data is available only on a decadal basis.

13 In this Report, we define the rate of emigration (or emigration rate) of a given country as the total number of emigrants expressed as a share of the total population.

14 In order to evaluate the potential gains from migration for developing countries and to illustrate key channels through which migration affects welfare, (Ratha and Shaw, 2007) undertook a model-based simulation of the economic impact of a three per cent rise in industrial countries' labour force achieved through migration from

developing countries. The assumed increase, roughly one-eighth of a percentage point a year, is close to that observed over the 1970–2000 period. The assumed rise in migration — small relative to the labour force of high-income countries but large relative to the existing stock of migrants — would generate large increases in global welfare. Migrants' real incomes roughly triple, while natives in industrial countries and those remaining in origin countries experience modest gains. By contrast, existing migrants in industrial countries experience significant losses, as they are assumed to be relatively close substitutes for the new migrants (Ratha and Shaw, 2007).

15 The Global Migration Group (GMG) is an inter-agency group bringing together heads of agencies to promote the wider application of all relevant international instruments and norms relating to migration, and to encourage the adoption of more coherent, comprehensive and better coordinated approaches to the issue of international migration.