

ECA RESEARCH NOTES

Office of the Chief Economist

EUROPE AND CENTRAL ASIA



CONFLICT, AID, AND MIGRATION

JUNE 2022



Hi Everyone,

As the conflict in our region continues, this month we focused on its impact on aid effectiveness and migration. There is extensive literature on aid effectiveness. Despite best intentions, the results are mixed even during normal times, let alone during crises. However, the speakers at our ECA Talk this month were more optimistic looking forward. Conflicts also create devastating humanitarian crises and forced displacement. At another ECA talk we discussed the challenges of promoting economic and social integration of refugees.

Whether due to conflict, health crises, climate change, or demographic or income differentials, migration is and will continue to be a fact of life. Hence, it is important to keep the long view and provide migrants with employment and social services during crises and facilitate their integration in the long term so that everyone can benefit – the host countries, as well as migrants. And this was the main message of our joint MENA-ECA flagship report on building resilient migration systems in the Mediterranean, where we distilled lessons from the COVID-19 shock. We also launched that report this month at an event organized with our MENA colleagues.

If you missed these events, you can watch the videos below. We also included a round-up of related papers.

Happy Reading!

Asli

FEATURE STORY



Asli Demirguc-Kunt (Internal)



William Easterly



Marcello De Moura Estevão Filho (Internal)



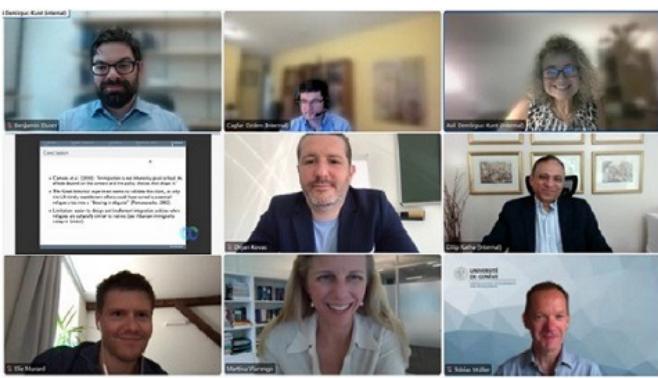
Norman V. Loayza (Internal)

Foreign Aid to Countries in Conflict

How does conflict influence which countries with good or bad governance receive official development aid flows? What is the effect of aid on conflict? Evidence indicates that aid on average made conflict worse. In one of the recent ECA Talks, William Easterly, Professor of Economics at New York University and Co-director of the NYU Development Research Institute, discussed whether there is hope that aid to countries in conflict may now have a more positive role.

[Video and event details](#)

From upper left corner clockwise: Asli Demirguc-Kunt, William Easterly, Norman Loayza, and Marcello Estevão

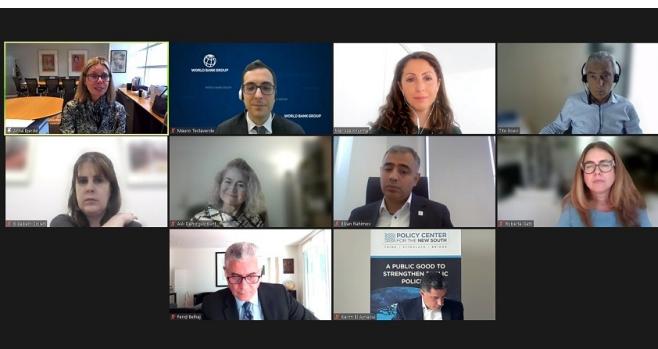


The chair, presenters and discussants at the ECA Talk on Forced Displacement

ECA Talk on Forced Displacement

How does the settlement of refugees influence attitudinal and behavioral measures of social cohesion? How do initial socio-economic conditions shape refugees' integration into labor markets? The World Bank, together with UNHCR and FCDO, is leading a series of studies that expand our understanding of how policies and investments can help prevent conflict and promote social and economic integration of refugees and displaced persons. This ECA Talk features a presentation by the authors of four of these studies focusing on ECA countries.

[Video and event details](#)



Panel speakers at the launch of "Building Resilient Migration Systems in the Mediterranean Region: Lessons from COVID-19" flagship

Building Resilient Migration Systems in the Mediterranean Region: Lessons from COVID-19

The report encouraged better coordination between countries that send and receive migrants throughout the migration cycle. It also highlighted the need for new mechanisms to automatically simplify procedures to recruit essential foreign workers in response to shocks such as the pandemic, and to grant migrants improved access to key employment and social services during crises.

[Press Release](#) || [Report](#)

Disclaimer: The views expressed by panelists are their own and do not represent the position of the World Bank.

RELATED RESEARCH



[Elite Capture of Foreign Aid: Evidence from Offshore Bank Accounts](#)

Jørgen Juel Andersen, Niels Johannessen, and Bob Rijkers, *World Bank Policy Research Working Paper 9150 – February 2020*

Do elites capture foreign aid? This paper documents that aid disbursements to highly aid-dependent countries coincide with sharp increases in bank deposits in offshore financial centers known for bank secrecy and private wealth management, but not in other financial centers. The implied leakage rate is around 7.5 percent at the sample mean and tends to increase with the ratio of aid to GDP. The findings are consistent with aid capture in the most aid-dependent countries.



[How Has COVID-19 Affected the Intention to Migrate via the Backway to Europe and to a Neighboring African Country? Survey Evidence and a Salience Experiment in The Gambia](#)

Tijan L. Bah, Catia Batista, Flore Gubert, and David McKenzie, *World Bank Policy Research Working Paper 9658 - May 2021*

This paper examines how the pandemic has changed intentions to migrate from The Gambia, the country with the highest pre-pandemic per-capita irregular migration rates in Africa. A large-scale panel survey conducted in 2019 and 2020 is used to compare changes in intentions to migrate to Europe and to neighboring Senegal. The data show that the pandemic has reduced the intention to migrate to both destinations, with approximately one-third of young males expressing less intention to migrate. The largest reductions in migration intentions are for individuals who were unsure of their intent pre-pandemic, and for poorer individuals who are no longer able to afford the costs of migrating at a time when these costs have increased and their remittance income has fallen.



[Testing Classic Theories of Migration in the Lab](#)

Catia Batista and David McKenzie, *World Bank Policy Research Working Paper 9751 - August 2021*

In this study, the predictions of different classic migration theories are tested by using incentivized laboratory experiments to investigate how potential migrants decide between working in different destinations. The standard income maximization model of migration with selection on observed and unobserved skills leads to a much higher

migration rate and more negative skill-selection than is obtained when migration decisions take place under more realistic assumptions. The results also show that the independence of irrelevant alternatives assumption holds for most people when decisions just involve wages, costs, and liquidity constraints.

[Impacts of Temporary Migration on Development in Origin Countries](#)

Laurent Bossavie and Çağlar Özden, World Bank Policy Research Working Paper 9996 – April 2022

This paper highlights that the economic development impacts of temporary migration on origin countries, especially on low- and middle-income origin countries are complex, dynamic, context-specific and multi-channelled. The authors identify five main pathways: labor supply, human capital, financial capital and entrepreneurship, aggregate welfare and poverty, and institutions and social norms. Several factors shape these pathways and their eventual impacts. These include initial economic conditions at home, the scale and double selectivity of emigration and return migration, and employment and human capital accumulation opportunities experienced by migrants while they are overseas, among others.

[Coping with Disasters: Two Centuries of International Official Lending](#)

Sebastian Horn, Carmen M. Reinhart, and Christoph Trebesch, World Bank Policy Research Working Paper 9612 - April 2021

This study assembles the first comprehensive long-run dataset of official international loans, covering 230,000 loans, grants and guarantees extended by governments, central banks, and multilateral institutions in the period 1790–2015. Historically, wars have been the main catalyst of government-to-government lending. During peacetime, development finance and financial crises are the main drivers of official cross-border finance, with official flows often stepping in when private flows retrench. In line with predictions of recent theoretical contributions, this paper finds that official lending increases with the degree of economic integration.

[Have Remittances Affected Real Unit Labor Costs in the Transition Economies of Eastern Europe, the South Caucasus, and Central Asia?](#)

Jimmy Apaa Okello, Martin Brownbridge, Sudharshan Canagarajah, World Bank Policy Research Working Paper 9513 - January 2021

The paper examines the evolution, during the 2000s and 2010s, of real unit labor costs of the transition economies in ECA – of which twelve of the 29 are high remittance recipients. Local currency and U.S. dollar real unit labor costs rose much faster between 2003 and 2015-17 in the high remittance recipient economies than in the other transition economies. Among the high remittance recipients, approximately half of the increase in real unit labor costs denominated in U.S. dollars can be attributed to increases in local currency real unit labor costs and half to appreciation of their real exchange rates. Fixed effects and cross-country econometric estimates suggest that remittances had a positive and significant impact on the changes in domestic currency real unit labor costs in the transition economies.

BLOGS



[A war in a pandemic - Implications of the Ukraine crisis and COVID-19 on global governance of migration and remittance flows](#)

Dilip Ratha, May 11, 2022

The latest [Migration and Development Brief](#) reports remittances to Ukraine are expected to rise by over 20 percent in 2022, but those to many Central Asian countries dependent on Russia are likely to fall. Overall, remittance flows to the Europe and Central Asia region are projected to decline modestly in 2022.



[A successful intervention to boost international migration, and what it did for attitudes towards redistribution](#)

David McKenzie, March 7, 2022

A series of studies using oversubscribed lotteries of government migration programs show moving to a richer country leads to massive increases in income that dwarf the impacts of pretty much any other development intervention we can think of. However, in the absence of new government

migration agreements, efforts to simply facilitate more international migration within the existing system have proven much more difficult.



Labor market integration of refugees and internally displaced persons: The behavioral and socio-emotional side

Kirsten Schuettler, February 16, 2021

In many countries the displaced do not have the unrestricted right to work, move freely, own property, or access financial services. Other important reasons often cited are that they do not choose their destination primarily based on existing demand for their skills and labor. Due to their displacement, they also often lose their assets. But there is also a behavioral, social and emotional side that is often forgotten.

CALENDAR OF EVENTS & OTHER ACTIVITIES



July 6, 2022, 10:00 AM EDT

Mark your calendars and join [2021 ECA Academy](#) event with presentations of the winning research.

Check [ECA Talks](#) to learn more about our past and future events.

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