



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

DC2016-0002
March 25, 2016

FORCED DISPLACEMENT AND DEVELOPMENT

Attached is a document entitled “Forced Displacement and Development” prepared by the World Bank Group for the April 16, 2016 Development Committee meeting.

* * *

FORCED DISPLACEMENT AND DEVELOPMENT

March 21, 2016

TABLE OF CONTENTS

Abbreviations and Acronyms	3
FORCED DISPLACEMENT AND DEVELOPMENT	4
I. OVERVIEW	4
II. A DEVELOPMENT APPROACH TO THE CRISIS	5
III. RESPONDING TO THE FORCED DISPLACEMENT CRISIS	7
Helping the forcibly displaced deal with their specific vulnerabilities.....	8
Helping hosts manage the shocks in the short and medium term	9
Strengthening the resilience of those who stay behind.....	11
IV. MITIGATING THE DRIVERS OF FORCED DISPLACEMENT	11
Mitigating fragility risks	12
Enhancing support in fragile situations.....	13
V. ADJUSTING THE OPERATIONAL MODEL	14
Consolidating critical partnerships.....	14
Further strengthening engagement capacity	15
Enhancing financing modalities.....	15
Managing risks.....	17
VI. CONCLUSION: A GLOBAL FRAMEWORK FOR COLLECTIVE ACTION	18
VII. ISSUES FOR DISCUSSION BY THE DEVELOPMENT COMMITTEE	19
Annex: Voluntary migration and development.....	20
A possible role for development actors.....	21

Abbreviations and Acronyms

AFR	Africa Region
AU	African Union
CSO	Civil Society Organization
DIB	Development Impact Bond
DRC	Democratic Republic of Congo
ECA	Europe and Central Asia Region
ECOWAS	Economic Community of West African States
EU	European Union
FDI	Foreign Direct Investment
FIF	Financial Intermediary Fund
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
ICGLR	International Conference on the Great Lakes Region
IDA	International Development Association
IDB	Islamic Development Bank
IDMC	Internal Displacement Monitoring Center
IDP	Internally Displaced Person
IFC	International Finance Corporation
IMF	International Monetary Fund
MDB	Multilateral Development Bank
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MIGA	Multilateral Investment Guarantee Agency
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OECD DAC	Organization for Economic Co-operation and Development, Development Assistance Committee
SAR	South Asia Region
SDG	Sustainable Development Goal
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
WBG	World Bank Group

FORCED DISPLACEMENT AND DEVELOPMENT

I. OVERVIEW

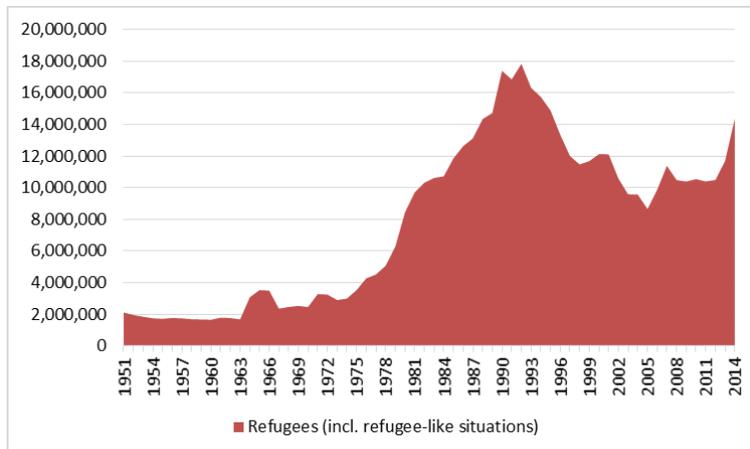
1. Recent events have drawn the world's attention to a crisis that has been building up for a long time—forced displacement. The tragedy of forced displacement entails an immense amount of human suffering. At the end of 2015, there were about 20 million refugees worldwide: about 5 million Palestinians and about 15 million people fleeing conflicts in Syria, Afghanistan, and Somalia, as well as Sudan, South Sudan, the Democratic Republic of the Congo (DRC), Myanmar, Iraq, and Eritrea, among others. The overwhelming majority of refugees are hosted in neighboring countries, often developing countries with limited resources to face the crisis: Turkey, Pakistan, Lebanon, Iran, Ethiopia, Jordan, Kenya, Uganda, Chad, and Sudan. At the same time, there are an estimated 40 million internally displaced persons (IDPs), with the largest numbers in Syria, Colombia, Iraq, Sudan, and DRC.

2. The plight of the forcibly displaced poses significant challenges to achieving the Sustainable Development Goals (SDGs) and the WBG's own goals of eradicating extreme poverty and boosting shared prosperity. In some regions, as pressures increase to close borders, the consensus that has underpinned global growth is being challenged. In others, the size of the refugee populations creates risks that could undermine sub-regional stability. In a number of situations, the forcibly displaced are uprooted for extended periods of time, making traditional humanitarian responses insufficient.

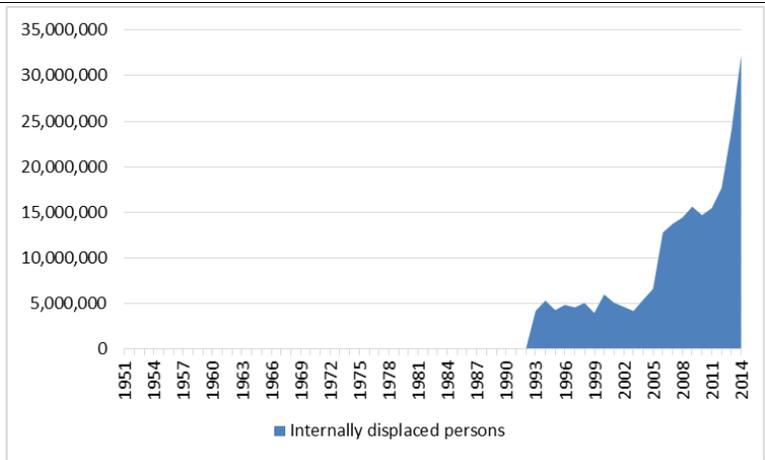
Box. #1: The forced displacement crisis

People who are forcibly displaced due to armed conflicts can include refugees who cross international borders and IDPs who remain within a country's borders.

A Refugee is a person “who is outside his or her country of nationality or habitual residence; has a well-founded fear of being persecuted because of his or her race, religion, nationality, membership of a particular social group or political opinion; and is unable or unwilling to avail him- or herself of the protection of that country, or to return there, for fear of persecution” United Nations Convention Relating to the Status of Refugees. As of end-2014, there were 14.4 million refugees (including asylum seekers) under the mandate of the UN High Commissioner for Refugees. This is the second-largest crisis since 1951. In addition, there are about 5.1 million Palestinian refugees, i.e. persons who lost their homes and livelihoods as a result of the 1948, 1967, and 1982 conflicts, and their descendants (regardless of their eventual naturalization or resettlement in a third country).



Internally Displaced Persons (IDPs) are people who have been forced or obliged to flee or leave their home or place of habitual residence as a result of armed conflict, situations of generalized violence, or violations of human rights, and who have not crossed an internationally recognized border (*UN Guiding Principles on Internal Displacement*). Statistics on their numbers have been maintained by the Internal Displacement Monitoring center (IDMC) since 1993, but there are significant methodological and practical challenges with data collection especially in war zones. At this stage it is not possible to assess whether existing numbers provide for an under- or over-estimate (and by how much).



3. There is a pressing need for a coherent response with a medium- to long-term horizon, and for an effective framework to build on the complementarity between humanitarian and development actors and reflect the different circumstances across regions and countries. There has been increasing demand from shareholders,¹ as well as UN partners and humanitarian agencies, for a stepped-up engagement by the World Bank Group (WBG) and other multilateral development banks (MDBs).

4. This Paper is prepared against the backdrop of an institutional “Forward Look” exercise that is assessing the main forces shaping the global development agenda and their impact on the needs and demands of the WBG’s clients. Indeed, the key trends identified in the “Forward Look” (i.e. demographic changes, climate change, rapid urbanization, and the changing nature of connectivity) are likely to have an impact on the evolution of forced displacement in the future. The Paper outlines some of the main features of a potential role for the WBG in response to the ongoing crisis, as part of a broader partnership with other development institutions, as well as diplomatic, peacekeeping, and humanitarian actors. It will be discussed within the broader context of a global effort to frame an appropriate response to the crisis, which includes the May 2016 World Humanitarian Summit and the September 2016 Summit on Addressing Large Movements of Refugees and Migrants.

II. A DEVELOPMENT APPROACH TO THE CRISIS

5. Humanitarian and development engagements are complementary. The humanitarian–development nexus has long been seen as sequential, with an initial humanitarian response relayed by a development effort when the situation becomes protracted. In fact, in many cases the two approaches are complementary throughout the entire period of forced displacement. Both sets of actors can contribute to a comprehensive response from the onset, learn from each other, and build synergies based on their respective comparative advantages: what is needed is a crisis response that is anchored in a medium-term perspective. The humanitarian and development response is only part of a broader effort, which typically also includes diplomatic and security elements, as well as engagement by private sector and civil society.

6. Development institutions shift the focus to the socioeconomic aspects of the crisis. For the development community, forcibly displaced people are of particular concern because they have specific

¹ Development Committee Communiqué, October 2015

vulnerabilities which affect their ability to seize economic opportunities and which often result in a poverty trap. It is because such vulnerabilities are “specific” to them that traditional poverty reduction efforts may not suffice and that special interventions are needed. The development response hence aims to help mitigate, or even eliminate, these vulnerabilities.

7. *A development approach to forced displacement has several characteristics.* Economic development in a broad sense takes a medium-term perspective, to support activities that have an impact only over time and to seek sustainability. It aims to go beyond protection and subsistence and to foster economic opportunities. It sees the forcibly displaced and their hosts as economic agents, who make their own choices and respond to incentives, and, hence, places particular attention on institutions and policies. It aims to build partnerships with and between governments, the private sector, and civil society.

8. *Development approaches ought to include a strong focus on host communities.* Host countries and host communities are also facing specific issues and require support. The arrival and inclusion of large numbers of people in specific locales creates both risks and opportunities, but in most situations it transforms the environment in which poverty reduction efforts are being designed and implemented. For development actors, the goal is to help host countries and communities deal with these circumstances and continue to make progress toward poverty reduction and shared prosperity in a transformed context, while providing an accepting environment for the forcibly displaced people.

9. *Countries hosting refugees are providing a global public good by upholding their commitment to provide asylum for those who flee conflict and violence.* While this is a responsibility for the international community at large, a relatively small number of countries has been consistently hosting more than half of the world’s refugees for the last 25 years, due to their proximity to conflict zones. This has created a collective action challenge: a global response is needed with shared responsibilities, including for development actors.

10. *Development institutions can also play a role in addressing some of the drivers of forced displacement.* While motivations are often complex and context-specific, a number of underpinning factors have roots in a range of socioeconomic issues which contribute to causing conflict and violence. The WBG and other development actors have increasingly engaged in recent years to help mitigate fragility and to support conflict-affected countries in their stabilization and recovery efforts. This constitutes a critical part of the development response to forced displacement.

11. *The development approach to forced displacement can also learn from migration economics* (see Annex). Forced displacement is distinct from voluntary migration in many respects. From an economic perspective, voluntary migrants move to environments where their skills can be used more productively than at home which yields benefits for migrants, host communities, and origin countries. By contrast, those who are forcibly displaced seek safety first and foremost, and many of them end up in locations where there are few job opportunities, typically in economically lagging border regions. This raises a number of challenges for both the displaced and their host communities and often results in secondary movements to urban environments or wealthier countries. Ultimately, the availability of economic opportunities is critical for a successful resolution of these situations. In this respect, important lessons can be learned from the experience of voluntary migration.

12. *The WBG can build on its comparative advantage as an institution by working in partnership with others.* The WBG can provide a range of analytical and advisory services to help inform public debates and policy formulation, as well as help strengthen institutional responses and improve the regulatory and investment framework. It can use its convening role to facilitate synergies, to contribute to a global response, and to promote regional approaches. And it can develop innovative financing solutions that support a sustained engagement with affected countries and leverage a stronger private sector response. On

the other hand, the WBG is neither mandated nor equipped to engage in some issues which are critical to the agenda, especially in the political arena. It has limited capacity to deliver urgent assistance on the ground compared with others, especially humanitarian agencies. And it has significant constraints in the use of its traditional financing to support refugees as well as host countries: most host countries are reluctant to borrow (or to use limited IDA resources) in support of non-nationals. To be effective, WBG's efforts ought to be part of a broader partnership effort, which includes political, diplomatic, security, and humanitarian elements.

III. RESPONDING TO THE FORCED DISPLACEMENT CRISIS

13. *To respond to the crisis, development actors ought to provide support to three distinct groups of people:* the forcibly displaced themselves, people living in host communities, and those who remain in conflict zones. Such a comprehensive response is critical to success.

14. *The WBG has been rising to the challenge.* Responding to the forced displacement crisis is one of the pillars of the new strategy for the Middle East and North Africa region (MENA) and a critical element of a series of regional initiatives in the Africa region (AFR). Over the last couple of years, the WBG has carried out substantial analytical work, especially in MENA and AFR, but also in Europe and Central Asia (ECA) and South Asia (SAR) on a range of topics related to forced displacement—including macroeconomic and fiscal issues, labor, poverty, and social development. In parallel, the WBG is working on several projects designed to benefit refugees, IDPs, and host communities in the Great Lakes, the Horn of Africa, and the Sahel regions, in Jordan and Lebanon, as well as in Pakistan and Azerbaijan among other countries. The WBG is partnering with the UN High Commissioner for Refugees (UNHCR) at both the strategic level—to elaborate an evidence-based development approach that can be sustained over the medium-term—and the operational level. The WBG is also engaging with other MDBs and the International Monetary Fund (IMF) to develop a joint approach on this issue.

15. *Improving the evidence base necessary to design successful programs is a critical priority.* Reliable data are scarce, and empirical analytical evidence on what works is even scarcer. Evidence is needed to inform policy recommendations, to develop sound interventions, and to enable effective synergies between humanitarian and development actors. For example, there may be opportunities to use country systems in designing development responses to protracted forced displacement. There are a variety of responses and delivery mechanisms that hold promise, ranging from extending existing social safety net programs to employment-policy changes that allow the displaced to use their skills and to boost the local economy, providing effective education solutions, or strengthening social cohesion. The WBG has launched a significant effort to strengthen analytics and is committed to further expand this work as an essential element of its contribution.

Box # 2: The Great Lakes Displaced Persons & Border Communities Program

A regional program under preparation is targeting IDPs, refugee, and host populations in the DRC, Tanzania, and Zambia with investments in socio-economic services, livelihood support, land access and social cohesion. Among the components are \$50 million financing for programs to support IDPs in the DRC as well as the inclusion of former refugees from Rwanda (already underway); \$27 million financing for programs to support former refugees from Burundi and their host communities in Tanzania; \$20 million financing for programs to support former refugees from Angola and their host communities in Zambia. In parallel, a new initiative by the UN Special Envoy to the Great Lakes is setting up a regional forum with key regional actors, including the African Union and the International Conference on the Great Lakes Region (ICGLR) for the sharing of best practice, lessons learned and new policy, political and development initiatives on sustainable solutions for displacement.

Helping the forcibly displaced deal with their specific vulnerabilities

16. *The objective of development actors is to help reduce or even eliminate the specific vulnerabilities of the forcibly displaced.* Such specific vulnerabilities typically include: a sudden and catastrophic loss of assets (including social capital), which can have long-lasting consequences; trauma and psychological stress; a temporary legal status or loss of rights (limited freedom of movement, legal restrictions, vulnerability to abuse); an uncertain situation that makes it difficult to plan or invest; and being “out of place” economically (residing in an environment where there is no demand for their skills).

17. *Forced displacement has an important gender dimension.* Women and girls who are forcibly displaced face specific challenges. Forced displacement is often associated with an increase in female- or child-headed households, in a context where family separation is often too common. Gender-based violence, including sexual violence and forced prostitution, is also a threat for highly vulnerable populations. Boys and young men may be susceptible to forced enrolment in armed groups. On the other hand, extended exposure to conflict and crisis can give rise to new dynamics that shift traditional gender roles. This can present such opportunities as women’s increased economic and labor market activity, political or civic participation, and autonomy in household decision making.

18. *Development actors need to focus on providing the type of support needed to achieve solutions that are fully sustainable from a socioeconomic perspective.* For example, large numbers of IDPs do not—and do not want to—return to rural areas and instead settle in cities. Similarly, a significant number of refugees do not repatriate, or, if they do return to their countries of origin, they may resettle in urban centers. From a development perspective, the focus needs to be on helping manage the long-lasting consequences of the original loss of assets and on helping the forcibly displaced settle in places—or return to places—where they have economic opportunities. This can be facilitated by building close partnerships with private sector and civil society actors. Particular support may be needed for people who continue to struggle after years of exile in camps and other temporary environments. Success in this area is critical not only for the forcibly displaced themselves, but to prevent the disaffection which tends to result in further fragility and conflict.

19. *This requires a combination of education, skills, employment, and entrepreneurship programs,* which are adapted to these specific groups and developed in close partnership with civil society and the private sector. The forcibly displaced often need assistance, and this can build on the lessons learned in developing modern social protection systems. But they also need economic opportunities, which requires fostering economic growth in hosting areas as well as enabling them to seize such opportunities (including by addressing legal impediments to participation in economic activities). For example, the WBG is working with partners to develop a special economic zone in refugee-hosting areas of Jordan. In Iraq, IFC has been able to catalyze investments into the more stable parts of the country (such as the Kurdistan Region), thereby creating private sector opportunities and access to services—especially power—to host internally displaced communities. IFC’s engagement in the microfinance sector in Lebanon and Jordan is also an avenue for promoting entrepreneurship and livelihood-generating opportunities for both host and refugee communities.

20. *Development actors can make a significant contribution by providing the necessary analysis to inform public debates and policy making.* They can also advocate with host and potential host countries to ensure the forcibly displaced are able to engage in economic activities and to help them move to places where there may be more demand for their skills. Yet, the WBG’s engagement has been constrained by the fact that most host countries are reluctant to borrow (or to use limited IDA resources) in support of non-nationals. Furthermore, private sector engagement is often hampered by the poor business environment which is prevailing in most (though not all) host countries. To expand its role, the WBG needs dedicated

financing modalities that would provide additional highly concessional resources in support of refugees and host communities and that would leverage the private sector.

21. *Some lessons of development experience are relevant in humanitarian contexts, and vice versa.* There is significant scope for mutual learning. For example, development actors can share their experience on social protection, use of country systems, area-based development programs, local procurement of goods and services (as a way to spur economic activity in the host environment), employment-generation activities for disadvantaged groups, or overall development strategies (especially for the delivery of basic services), when they are adequate. Such work is underway through multiple forums and partnerships and will be further scaled up as needed.

Box #3: Early support to Jordan and Lebanon

In addition to rapid economic and social assessments of the impact of the Syrian crisis on neighboring countries, the WBG and UNHCR recently undertook a joint study to assess the poverty levels of those who fled the Syrian conflict in order to inform humanitarian and development responses and to design practical solutions to prevent the irreversible loss of social and human capital typically associated with prolonged refugee crises. The study exploits a wealth of survey and registry data on Syrian refugees living in Jordan and Lebanon to assess their poverty and vulnerability status, understand the predictors of these statuses, evaluate the performance of existing policies toward refugees, and determine the potential for alternative policies. Its findings show that current humanitarian policies, including cash transfers and food vouchers, are effective in reducing poverty but that a shift toward economic inclusion and self-reliance is needed with a focus on growth policies for areas affected by refugees where the target population is constituted by refugees and hosting populations alike. Complementary survey work is currently being underway to assess the socio-economic and living conditions of Syrian refugees and host communities in Jordan, Lebanon and Iraq with a view to identifying strategies to support these populations in the immediate and longer term.

On the operational side, the Bank in 2013 provided rapid, financial assistance of US\$150 million to Jordan to help mitigate the adverse impact of the Syrian crisis on the economy. The emergency operation helped the country manage the additional expenditures on healthcare services and basic household needs as a result of the Syrian refugee influx. The Bank also mobilized a multi-donor trust fund with grant contributions totaling \$66 million to help Jordanian municipalities and host communities address immediate service delivery impacts of Syrian refugee inflows. Current efforts are focused on job creation for Syrians and Jordanians. In Lebanon, the Bank established a \$75 million multi-donor Trust Fund to help mitigate the impact of the Syrian conflict. Four projects, financed by grants from this Trust Fund, are supporting education, health, municipal services, and social assistance to the poorest.

Helping hosts manage the shocks in the short and medium term

22. *With the inflow of forcibly displaced, host communities typically experience a demographic shock.* This causes a series of short-term disequilibria across a number of markets (including the labor market) and among social groups. These shocks are eventually absorbed and a series of new equilibriums are attained. From a development perspective, the key question is how to help ensure that the new equilibriums can be reached relatively rapidly and that on balance they are better—or at least not worse—for the host community than the pre-existing ones. This typically depends on initial conditions, on the size, nature, and pace of the shock, and on the authorities' ability to develop adequate policy and investment responses.

23. *There are multiple impacts of forced displacement.* An inflow of forcibly displaced people can exacerbate pre-existing fragility issues among host communities, although research suggests that it threatens national security only in extreme cases, where conditions are already very fragile and shocks very great.

There can, however, be friction between the forcibly displaced and host communities, and in some cases efforts are needed to reduce tensions which can affect social cohesion. The macroeconomic impact is typically limited, considering that refugees rarely exceed 1 percent of the total population, but it can be significant in countries such as Jordan and Lebanon where the proportions are much higher, or in countries with pre-existing distortions in macroeconomic policies (e.g., where consumption subsidies are large). The impact on prices can be significant for non-tradable goods (especially land and housing), which may affect the poorest of the hosts. The impact on services is most significant, with the need to rapidly expand capacity, especially if the forcibly displaced are concentrated in specific locations. This is especially the case for social services, such as education and health, but also for urban and environmental services.

24. *The impact on the labor market is complex* and it largely depends on initial conditions in terms of investment climate, levels of unemployment, skills demand, and wages. It is typically limited at the national level, but it can be substantial at a local level when the forcibly displaced are concentrated in specific locations. Increased demand caused by the inflow of people often results in a net creation of jobs, but increased supply in some segments of the labor force affects part of the native labor force. Who is impacted depends in part of whether the forcibly displaced have the right to work. If they do not, they often work illegally in low-skilled positions, which reduces employment opportunities for some native low-skilled workers. If they do, they will replace some native workers at a corresponding level of skill, but they will also make a higher contribution to the economy (including by paying taxes). Over the medium-term, the contribution of forcibly displaced persons can be significant, especially in aging countries with a shrinking workforce.

Box # 4: Assessing the impact of Syrian refugees on Turkish host communities

A recent WBG paper (“Turkey’s Response to the Syrian Refugee Crisis and the Road Ahead”) assessed the impact of Syrian refugees on host areas in various sectors. It found that the presence of Syrian refugees is placing a strain on municipal services, housing rental markets, social relations, and education services for Turkish households. Impacts on the labor market are unclear; initial research suggests that there has been a supply shock to informal labor markets. This has had a large-scale impact on the employment of natives in the informal sector. At the same time, research suggests there has been a boost to formal employment for the Turks, but this has been uneven: the low educated and women experience net displacement from the labor market and, together with those in the informal sector, declining earning opportunities.

A new study to be undertaken in the first half of 2016 by the World Bank in partnership with the Government of Turkey aims at stronger quantification of the impacts of Syrian refugees on municipal services, education and welfare, as well as on labor markets. The assessment involves a nationwide survey to cover both Syrian and Turkish households. The data will be used to design policies and programs that mitigate any potential negative socio-economic impacts and maximize the social-economic benefits for host communities and the Turkish economy as a whole, as well as help the Syrian population be self-reliant until the time they are able to find a durable solution.

25. *Development actors have a role to play in helping manage the shocks within a medium-term framework.* They can help inform key policy choices (for example, when the establishment of camps is, in fact, detrimental to host communities) and address pre-existing issues, including business environment, macroeconomic distortions (such as subsidies), infrastructure gaps, access to finance, etc. They can help develop mitigation policies for those hosts who are negatively affected—namely in terms of jobs (upgrade skills, provide temporary safety nets, etc.), and prices (social protection, housing prices, etc.). They can also help expand and upgrade service delivery capacity. To play its role at the appropriate scale, the WBG needs to increase efforts in host countries, with a particular focus on affected regions, and to mobilize global expertise and financial resources to do so.

Strengthening the resilience of those who stay behind

26. *In many situations of generalized violence, the overwhelming majority of the population stays behind.* People have to weigh the risks of staying against the real risks associated with flight and the accompanying dramatic impoverishment. The risk of staying may be worth taking only if economic subsistence is possible. While the focus is often on those who have moved, those who stay suffer from increased vulnerability and gradual impoverishment as access to services and livelihood opportunities diminish. This reduces their ability to cope with external shocks (such as droughts) to the point that they may have no choice but to leave.

27. *Development actors can play an important role in helping strengthen resilience of those who stay, especially in relatively stable parts of otherwise unstable countries.* While development actors are not equipped to engage in conflict zones, the WBG has some experience in dealing with forced displacement in countries such as Afghanistan and DRC, particularly in areas within those countries that are comparatively safe. In addition, the WBG has undertaken social protection work in lagging regions which offer important lessons, for example in the aftermath of droughts in Ethiopia. **Expanding such engagement would require developing new financing modalities and identifying financial resources for engagement in areas where there is typically no borrowing authority and where security risks may be high.**

Box # 5: Building Safety Nets for Greater Resilience: Experience from Mali

Since 2013 the World Bank has been supporting an Emergency Safety Nets Project in Mali, providing monthly targeted cash transfers to 62,000 households. The program is meant to alleviate some of the vulnerability that a series of crises—political and economic insecurity, natural disasters, and food insecurity—in the Sahel region have created for many already poor Malians. The project, called locally “Jigisémejiri” or “tree of hope,” is laying the groundwork for a national social protection system. The emergency project is being financed with a \$70 million IDA credit. There are plans to scale-up the project in the context of a long-term poverty reduction strategy that focuses on building resilience.

IV. MITIGATING THE DRIVERS OF FORCED DISPLACEMENT

28. *Most forcibly displaced people are fleeing conflict or some other form of widespread violence—the outcomes of fragile situations.* There have been extensive debates about the drivers of forced displacement and, in particular, about the relative roles of violence and economic considerations. Increasingly, the flow of people on the move include both forcibly displaced people and economic migrants, some of whom are facing such levels of destitution that they are willing to take high risks. Yet, the limited available empirical evidence suggests that personal experience and fear of violence remain the key drivers of forced displacement in most situations, while economic considerations play a role in determining the destination. Reducing fragility is therefore a critical component of a long-term solution to forced displacement.

29. *Reducing fragility is a core commitment of the 2030 Agenda, captured in Goal 16 of the SDGs Framework.* For the WBG to achieve its own goals of eliminating extreme poverty and boosting shared prosperity reducing fragility is absolutely critical: about 470 million people live in countries directly affected by conflict and violence, and an additional 1.5 billion live in countries where development outcomes remain hampered by fragility, conflict, and violence. By 2030, the share of global poor living in fragile and conflict-affected situations is projected to reach 62 percent according to the OECD.

30. *With the publication of the 2011 World Development Report on Conflict, Security, and Development, the WBG stepped up its engagement in fragile situations.* The report highlighted that violence and conflict are often linked to weak institutions and lack of state legitimacy, which make it difficult to manage internal

and external stress factors. It emphasized the importance not only of effective recovery after conflict, but also of preventive development activities. Subsequently, the WBG mobilized more than US\$23 billion for countries affected by fragility, conflict, and violence between FY12 and FY15. The WBG has also undertaken important internal reforms to improve its engagement model, including by building partnerships, especially with the UN; strengthening strategies by informing them with fragility assessments; and improving operational flexibility, including for procurement. As a result, the quality of projects in fragile situations has been steadily increasing.

31. *Yet, there have been important changes in the operating environment over the last few years.* While the number of civil and international wars has decreased globally, various forms of violence, domestic political instability, and violent extremism are on the rise. In some contexts, fragility and conflict are not simply a symptom of weak states and institutions but are exacerbated by ideological divides and external interests that are hard to reconcile. Fragile situations continue to include low-income countries struggling with weak institutions, low capacity, and strained social contracts, especially, but not only, in Africa. But they also increasingly include middle-income countries battling political instability, conflict, and violent extremism, especially in the Middle East as well as in parts of Asia. Subnational conflicts in otherwise stable middle-income countries with strong institutions can affect nation-wide poverty reduction efforts. And high levels of interpersonal and criminal violence, especially in Latin America, also result in significant forced displacement.

32. *There is increased awareness that conflicts and social violence often spread across borders, amplifying the scale of forced displacement.* Conflict systems—the systemic factors that promote the expansion of a conflict along ethnic and clan ties, informal trade, migration, or nomadic routes—usually have a regional dimension, thereby facilitating the propagation of fragility from one country to another, as illustrated by some of the dynamics currently in the Sahel or in the Middle East. And increased interconnectedness is magnifying the destabilizing impact of spillovers on neighboring countries.

Mitigating fragility risks

33. *The question of conflict prevention—which is critical for reducing forced displacement—has generated considerable interest over the last decades.* This is an objective which goes far beyond the mandate and the means of an institution like the WBG. Yet, this is also an area where, within the context of a broader coalition, the WBG and other development actors (including other MDBs and the IMF) can build on their current efforts to help address some of the risk factors that can exacerbate fragility, and, hence, reduce resilience to political or other shocks. Such risk factors include the lack of accountable, inclusive, and effective institutions that can withstand stress; slow economic growth and perceptions of unequal access to economic opportunities; regional spillovers; as well as longer-term factors that may prevent poverty reduction, such as competition for diminishing environmental resources.

34. *The interconnectedness between climate change and fragility is also increasingly apparent,* with environmental pressures exacerbating some pre-existing stress factors. Adaptation efforts can both reduce or aggravate pre-existing fragility issues, and it is important to take such factors into account in their design. Climate change may also result in reduced opportunities in some of the most affected areas, which in turn could translate into large-scale economic migration.

35. *Development actors need to broaden their support to help effectively reduce fragility risks, including regional spillovers.* Most efforts to date have focused on countries already in a situation of “observable fragility” and post-crisis situations. Mitigating fragility risks requires earlier and more regular fragility assessments, including before the negative outcomes of fragility erupt in the form of conflict or crisis. Such fragility assessments include an identification of risk factors and a granular understanding of causation channels and discuss the potential implications for development programs. Given the cost of conflict to

countries and regions, this is likely to constitute a cost-effective engagement, even though its success may be uncertain. However, because of the limitations to the WBG's ability to engage in political arenas, continuous close engagement with partners such as the UN are critical to success.

36. *In many cases, country-level engagements need to be implemented within a regional framework.* Spillovers may exceed national capacities, and some key factors in the conflict need to be handled in a comprehensive manner across countries. Strengthened forms of regional cooperation and international support are critical to success. Such response should include many dimensions, of which economic development is only one, and effective synergies among international partners on the diplomatic, security, humanitarian, and development fronts are critical. For the WBG, the challenge is to strengthen its ability to engage on fragility issues at the regional level, in terms of both analysis (regional fragility assessments) and financing, and to build the necessary partnerships to be able to effectively contribute to a broader, multi-dimensional international engagement.

Enhancing support in fragile situations

37. *Strengthened support is needed for countries which are facing fragility challenges.* Once again, this is an area that requires close coordination of development agencies and partners, including the UN, international financial institutions, regional organizations, and governments. Experience suggests that the provision of effective development assistance is insufficient to restore stability, but that it can help mitigate risks over the medium-term. A continued prioritization within the WBG of work in fragile situations is required, not only as a critical element of the poverty-reduction agenda, but also to help prevent conflict traps that can generate significant forced displacement.

38. *In fragile situations, development actors have to focus on reducing fragility risks.* Contributing to the management of stresses and fragility and fostering peaceful and stable societies is a pre-condition for sustainable poverty reduction. This may imply expanding support beyond the traditional poverty reduction focus and even making unconventional trade-offs in the short term (e.g., by supporting young able-bodied men in the context of a demobilization program). It also requires a strong engagement on macroeconomic issues to help strengthen the overall policy environment and create fiscal space for stabilization efforts. Development actors also need to focus not only on addressing the costs of violence and fragility—for example, through a reconstruction program—but also on dealing with the multiple drivers and risks of continued fragility. Responses have to be highly contextualized and based on a thorough analysis of the risks and drivers of fragility. While sizable investments are often needed, the policy and institutional agenda is what is ultimately transformational.

39. *Addressing gender disparities is critical to the consolidation of peace and security in fragile and conflict-affected situations.* Gender disparities in fragile situations reflect norms and dynamics that entrench inequalities and factors of exclusion that perpetuate conflict and instability. Violent conflict and fragility affect men and women in differentiated ways that are seldom recognized or addressed in mainstream conflict and reconstruction policies and programs. Widows and female-headed households more generally demonstrate higher incidence of poverty and extreme poverty, in part linked to loss of assets and resources connected to men, including land and labor. Gender-based violence is also often a prevalent feature in many fragile situations, being used as a means to dominate, disempower, and humiliate opposing groups.

40. *For the WBG, engagement should be based on a combination of continuity and innovation.* Continued and further strengthened engagement is needed to help build stable institutions, social accountability, and a citizen-centric state within the framework of good governance (including by improving public finance management); in promoting sustainable economic growth and opportunities, including through partnerships with the private sector; and in supporting the delivery of social services in

a sustainable manner. Yet, the portfolio of activities may need to be expanded to respond to client demands and engage in issues such as the security/development nexus or regional and group-based inequalities.

Box # 6: Supporting forcibly displaced people in the Central African Republic and Somalia

With about a quarter of its population forcibly displaced, more than half in need of humanitarian assistance, and an unprecedented level of losses and damages, the Central African Republic (CAR) is currently home to one of Africa's most serious crises. The WBG is supporting the country through a complex transition process with a stabilization package that is laying the groundwork for recovery and development. WBG support aims to help improve food security, contribute to government's payment of salaries to bring civil servants back to work, stimulate economic activity and livelihoods through labor-intensive public programs, and improve the delivery of basic social services, including emergency services and medical supplies. A national temporary employment scheme has fostered social cohesion in some communities with large movements of populations. Food security activities have been launched to help displaced people cope with the missed agricultural seasons. By paying special attention to regional inequalities, the WBG has helped to support hundreds of thousands of displaced and vulnerable people as well as host communities. Yet, lack of adequate financing resources continues to hamper the WBG engagement at a critical moment.

In Somalia, the WBG re-engaged in a dialogue with the Mogadishu-based authorities in early 2013. Since then, the WBG has developed an active program with a focus on basic governance functions, including financing the recurrent costs of core services by a Multi-Donor Trust Fund (and working with a Monitoring Agent on the ground to ensure proper oversight). WBG teams are developing a range of partnerships with other agencies, including the UN, civil society, and the private sector to deliver innovative solutions in a high-risk environment. Yet, the development challenges are enormous even as the humanitarian emergency continues. Somali displacement is one of the world's most protracted cases, and those displaced—both internally (1.1 million) and regionally (1 million)—have been excluded from basic services, security, and economic opportunity for more than two decades. Somalia's transition, the move towards devolution of power to sub-federal governments, and a reform-minded government present an opportunity. Yet, because of its non-accrual status, Somalia cannot take part in important regional IDA-funded initiatives. Finding sustainable solutions for Somalia's displaced is therefore directly linked to Somalia's wider challenges of finding financial solutions for sustainable development.

V. ADJUSTING THE OPERATIONAL MODEL

Consolidating Critical Partnerships

41. *The WBG's effectiveness is directly linked to its ability to develop synergies with others, such as the UN.* Partnerships are critical to successfully reducing fragility risks and responding to the forced displacement crisis, in particular in contexts where development agendas are subsumed by political negotiations and security concerns. Key partners include specialized UN agencies (such as UNHCR), other MDBs and the IMF, regional organizations (such as ECOWAS), as well as the private sector and CSOs. A 2008 Tripartite Declaration between the EU, UN, and WBG commits the three organizations to work in close partnership in the aftermath of a conflict.

42. *Effective synergies require building on each entity's mandates and comparative advantages and ensuring that high-level strategic partnerships translate into concrete cooperation at the operational level.* Special efforts are still needed to ensure that instruments are compatible and, in particular, to facilitate implementation of WBG-financed operations by UN agencies. Incentives, processes, and budget cycles are not always aligned, and complicate cooperation. Humanitarian and development actors also tend to have different mandates, time horizons, business cultures, experiences, and even technical languages.

Cooperation tends to be smoother in contexts of emergency or in very fragile situations, and more difficult in situations where fragility and displacement are further from the core policy dialogue with authorities. In any event, effective collaboration requires a substantive upfront investment in building links across institutions. A high-level commitment to the operationalization of such partnerships is hence critical to success.

Box # 7: WBG-UNHCR partnership

The WBG and UNHCR have developed a strong partnership to strengthen the response to the forced displacement crisis. This includes a set of strategic engagements to jointly articulate key elements of a development response and to transfer lessons of development practice to humanitarian planning, and vice versa. At country program-level, the WBG and UNHCR are also working closely together, including through joint activities in Ethiopia, Jordan, Kenya, and Lebanon, and UNHCR has been closely engaged in analytical work to inform the planning of key WBG operations addressing forced displacement.

Further Strengthening Engagement Capacity

43. *The WBG's effectiveness is linked to its ability to leverage its various components: IBRD, IDA, IFC, and MIGA.* A new IEG evaluation of the WBG's performance in fragile situations suggests that more efforts are needed in this area, including allowing for a full-scale engagement by IFC and MIGA. This may require accepting and managing higher risks and higher transaction costs. The expanding, yet still relatively new, effort to support forcibly displaced people and their hosts also potentially requires substantial contributions by all parts of the WBG. Overall, the WBG is committed to further strengthening its internal capacity to manage such emerging issues, including its ability to respond rapidly in the context of a crisis, in collaboration with the UN, bilateral partners, other MDBs and the IMF, CSOs, and the private sector.

44. *Continued efforts are needed to improve operational effectiveness and flexibility.* This includes, in particular, resourcing country programs where the cost of doing business is typically high and exploring whether the current operational flexibility needs to be enhanced under special circumstances. Staffing also remains critical to success in fragile environments, in term of both numbers and skills mix. Presence on the ground is essential for an effective dialogue with counterparts and implementation support remains critical. Performing staff are often those who combine an ability to operate in a complex environment and to reflect fragility considerations in their activities, and a practical sense to “help make things happen.”

45. *Success over the medium-term is also a function of the ability to learn. This is* essential in areas which are inherently complex, such as fragility, or in which the WBG has a limited track record, such as forced displacement. The WBG is committed to stepping up its research and its collection of evidence. At both global and country levels, it also aims to further enhance monitoring and evaluation (M&E) frameworks to track outcomes, measure success, and most importantly draw lessons from experience.

Enhancing Financing Modalities

46. *IDA remains a critical source of financing for many low-income countries in fragile situations.* IDA has proven to be an effective source of financing for the WBG to scale up its engagement in fragile situations. For example, under IDA 17, allocations to support post-conflict and re-engaging countries were further enhanced, and a Turn-around regime was introduced (with eligibility of Guinea-Bissau and Madagascar approved in February 2016). With regard to forced displacement, the availability of adequately concessional resources—provided on an additional basis, not only during a crisis period but over the extended period of a protracted situation—will be critical for the WBG to effectively scale up its engagement. The upcoming IDA replenishment process will provide an opportunity to further discuss the

potential role of IDA in such contexts. A strong IDA replenishment will also permit allocation of greater financial resources to address these issues.

47. *Yet, existing WBG financing modalities are insufficient to engage at scale in support of refugees and across all country income categories.* The country-based model is challenged when people live outside of their country: host countries are often reluctant to borrow on non-concessional terms or to use their limited IDA allocation to address the needs of non-nationals (and to date forced displacement projects have been largely focused on IDPs or host communities, i.e. nationals). More predictability may also be needed to ensure that efforts can be sustained over time. Current financing modalities are unavailable or insufficient to provide adequate support to middle income host countries, to engage at scale in fragile countries that are in non-accrual situations (and from where many forcibly displaced stem), to finance innovative humanitarian-development partnerships, or to address regional spillovers and conflict systems. These are important issues on which the WBG needs to engage with its shareholders, including in the context of the “Forward Look” discussions and the upcoming IDA replenishment process.

48. *At the same time, humanitarian actors are increasingly under strain,* despite the substantive increases in humanitarian funding from governments and private donors over the past 20 years. At the end of 2015, the US\$19.9 billion UN Global Humanitarian Appeal was only 49 percent funded—the largest shortfall to date in both volume and proportion. While the Humanitarian Appeal for 2016 is only slightly higher than the previous year (at US\$ 20.1 billion), there are concerns that these needs may remain partly unfunded. Some donors may also use part of their ODA resources to meet the costs for asylum seekers at home (in line with OECD DAC rules). The under-funding of the crisis response effort is a major concern.

49. *Against this backdrop, the challenge for the WBG is to learn from past efforts to mobilize resources for innovative endeavors and global public goods* and to develop adequate mechanisms to increase the volume of available resources, enhance their effectiveness, and leverage the private sector. This is a new area which will need to be explored in the period to come, as the WBG develops a better assessment of the medium-term needs to be funded and of the potential sources of funds. While some initiatives may be feasible in the relatively short-term, a more thorough re-thinking of financing mechanisms is also needed.

50. *The WBG is actively exploring mechanisms to expand its capacity to provide additional financial support to host countries.* A number of options are being explored: improving access to soft financing, through blending and buy-down arrangements (learning from the IDA credit buy-downs for polio eradication projects in Pakistan and Nigeria); expanding access to capital markets, for example through special-purpose bonds (e.g., building on the experience with “green bonds” for climate change adaptation and mitigation); enhancing allocations for host countries, or, if warranted, introducing a special window; introducing contingent loans, which can help host countries respond rapidly to the inflow of forcibly displaced people (building on the experience with natural disasters); and/or pooling resources through multi-donor trust funds. Consideration needs to be given to ensuring availability of these mechanisms to middle-income host countries as may be necessary and adequate. An example of one such scheme is the proposed MENA Concessional Financing Facility which is aimed at recovery and reconstruction in the Middle East.

Box # 8: The MENA Concessional Financing Facility

The New Financing Initiative to Support the MENA Region aims to provide additional sources of financing to countries in the MENA region impacted by forced displacement, conflict, and economic instability. The initiative is comprised of two financing facilities—the Concessional Financing Facility and the Guarantee Facility—which have distinct, yet complementary, objectives. The initiative was presented in October 2015 during the WBG-IMF Annual Meetings in Lima at the *International Stakeholders’ Roundtable Meeting for the MENA Region*, which was co-chaired by the UN Secretary-

General and the WBG President, and convened representatives from more than 50 countries and international organizations. Participants formed a working group—co-chaired by the UN, the WBG, and the Islamic Development Bank Group—to finalize the details and implementation roadmap of the financing initiative. Two working group meetings have taken place, and a follow-up ministerial level meeting is planned during the WBG-IMF Spring Meetings in April 2016, where countries will have the opportunity to evaluate the progress made since Lima and pledge their support to the initiative.

The Concessional Financing Facility will provide urgent development support to the countries most affected by the Syrian refugee crisis, with an initial focus on Jordan and Lebanon. The facility would enable blending grants from supporting countries with loans from MDBs in order to bring down the cost of financing to more concessional levels. Jordan and Lebanon are classified as middle-income countries and thus currently borrow at MDB non-concessional rates. Given the scope of the challenge and the fact that these countries are providing a global public good, the Concessional Financing Facility aims to provide Jordan and Lebanon with the concessional development assistance they urgently need. It will be important that the assistance provided be sufficiently concessional to avoid augmenting risks to public debt sustainability in both countries, given already-high public debt burdens.

Establishing a financial intermediary fund (FIF) for the Concessional Financing Facility is critical given that it creates a sustainable, long-term, and predictable financing platform for countries in the MENA region, in contrast to ad-hoc bilateral and individual multilateral approaches to the refugee crisis. Moreover, various participating MDBs could benefit from the financing provided through this FIF, thereby ensuring that the facility represents a coordinated international response to the Syrian refugee crisis.

51. A second direction of effort is to leverage private sector capital and expertise. Private sector engagement is critical to generate the type of investment needed to provide opportunities for the forcibly displaced and to help host communities manage shocks. Yet, the business environment in a number of host countries remains challenging, and combined support by IBRD/IDA (including on the policy side) and IFC and MIGA will be needed. Risk-sharing and guarantees are key to attracting capital investment, and MIGA has an extended track record in this area. Risk-sharing can also be used in the context of investment solutions, such as Development Impact Bonds (DIBs) for investors willing to take on the risk of outcome-based project finance. Customized insurance instruments and risk pooling mechanisms could potentially be used to structure solutions in some situations, building on the experience with disaster risk management.

52. A third direction of effort would aim to crowd in new sources of financing, in line with the January 2016 report from the UN Secretary General’s High Level Panel on Humanitarian Financing. The Panel recommends measures such as expanding the donor base; introducing global taxes and levies (building on modalities to finance some climate funds, e.g., the Adaptation Fund); relying on crowd funding, matching funds, and Islamic social finance instruments (zakat and awqaf); or mobilizing diaspora bonds and remittances.

Managing risks

53. Risks are inherent to any engagement in fragile situations and operations in support of the forcibly displaced. Yet, while the risks of engagement are high, the risk of inaction is often greater. It is, therefore, critical to adopt a risk-management approach, drawing on techniques used in managing a portfolio of scarce resources in an environment of volatility: resource allocation needs to be flexible, and decision-making structures need to predefine roles and responsibilities and support quick responses and reactions. Since context-specific risks cannot be eliminated, dynamic risk assessments are required to regularly allow the WBG to take stock and adopt mitigation measures based on the evolving context. The challenge for the

WBG is to weigh different risks against opportunities and to make trade-offs based on its tolerance across various categories of risks.

54. *Fragile environments are inherently dangerous.* Strengthening the WBG engagement in such situations—whether to help reduce fragility risks or to support the forcibly displaced, the returnees, and those who stayed behind—raises a number of security risks. There is a tension between, on the one hand, expectations for the WBG to expand its engagement in fragile situations and, on the other hand, the need to ensure adequate safety for staff and consultants. To date, this has been managed by minimizing the frontline footprint of the institutions, by investing heavily in security and protection (including a five-fold increase in security costs since 2011), and by relying on third-party monitoring or reverse missions to limit exposure. Efforts have also been made to provide enhanced support for staff and operations in higher risk locations. Yet, such arrangements have been limited to a few high-profile situations, where the WBG was mandated to take a proactive stance in spite of security risks. Extending similar arrangements to a larger number of fragile situations would have several implications, especially in terms of heightening risks (both risks for staff members and reputational risks for the institution) and substantially increasing staff and security costs (which would typically require a several-fold increase in the administrative budget in the corresponding countries, and hence trade-offs with other activities).

55. *Operational risks tend to be high in fragile situations.* Expectations are high, and institutional capacity is weak. Moreover, recovering from a fragile situation is typically a complex process with ups and downs. A key challenge for the WBG is to ensure that risks are managed so as to enable continued and steady involvement. In addition, efforts are needed to ensure that interventions are appropriately designed, at both program level (to effectively address fragility risks) and project level, for example with expanded use of fragility assessments to diagnose risks and opportunities. This also requires allowing for adequate WBG support for policy dialogue and project preparation and implementation: staffing (in terms of numbers, skills mix, and location) and the availability of adequate budget resources are the critical factors in this context.

56. *Reputational risks are also significant.* Political considerations are an essential component of fragility and forced displacement, yet the WBG is neither mandated nor equipped to deal with such issues. This is why the WBG can only be part of a broader coalition and is working in close partnership with the UN and key bilateral partners as may be appropriate in a given context. Still, some stakeholders may interpret support to stability as taking a political position. The risks can also be high in the case of support to forcibly displaced persons, including when they are minorities or groups discriminated against (or when they are linked, for example, to ethnic or religious issues). The WBG, however, has a solid track record in managing such risks in other environments, including by ensuring a close partnership with UN and other relevant actors.

VI. CONCLUSION: A GLOBAL FRAMEWORK FOR COLLECTIVE ACTION

57. *Forced displacement is a global crisis and calls for a global response.* No individual agency or government or group of governments can address the forced displacement challenge at the scale required. Events in origin countries, countries of first asylum, and eventual destination countries are all linked and cannot be sustainably addressed with responses to individual challenges. There is a clear need for a comprehensive reconsideration of how to address the root causes of forced displacement through concerted diplomatic, peacekeeping, development, and humanitarian efforts as well as to better mobilize, allocate, and deploy assistance across countries.

58. *A stronger architecture is necessary with more predictable ways and means for collective action and support.* The current international architecture does not provide adequate, predictable support for host

countries, even though they are providing a global public good. This, in turn, results in people engaging in secondary movements to escape increasingly difficult living conditions in host countries and to look for better prospects. An effective global response should be underpinned by a comprehensive strategic approach that sets principles for sharing responsibilities, optimizes the use of resources at a global level, links financing with policy actions, fosters synergies between development and humanitarian actors, and connects the development response with parallel efforts aimed at tackling the roots of the crisis. The World Humanitarian Summit in Istanbul in May 2016 and the Summit on Addressing Large Movements of Refugees and Migrants will be important forums toward articulating such a global response.

VII. ISSUES FOR DISCUSSION BY THE DEVELOPMENT COMMITTEE

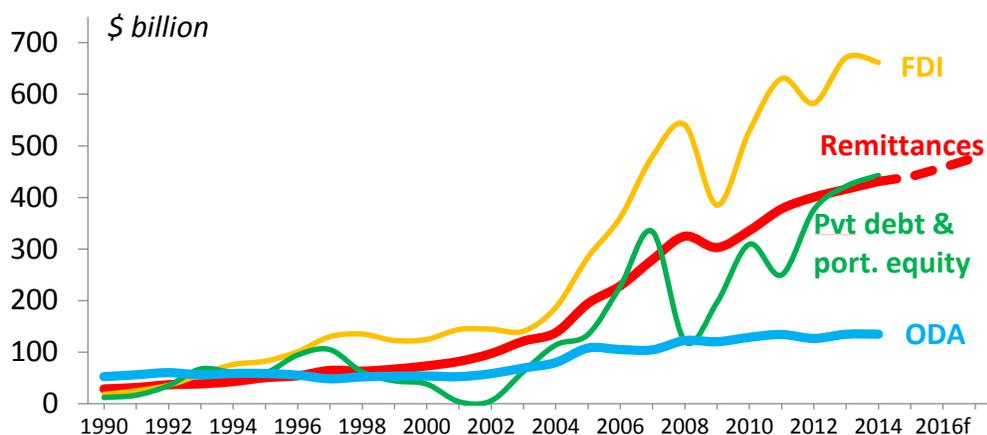
- Does the proposed approach, with its focus on building on our comparative advantages to help mitigate the specific socioeconomic vulnerabilities of forcibly displaced persons and help host communities best manage shocks over the medium-term, represent an appropriate contribution by the World Bank Group and a useful complement to the broader international engagement, including humanitarian, security, and diplomatic components?
- Does the Development Committee agree that the World Bank Group should step up efforts to support forcibly displaced populations and their hosts, including through actions aimed at responding to the crisis and reducing drivers of forced displacement?
- Does the Development Committee support the World Bank Group in exploring more responsive, and innovative financing facilities and strengthening operational capacity in this area, and assessing the corresponding resource requirements?

Annex: Voluntary Migration and Development

Voluntary migration is an integral component of economic growth and development. As industrial and service sectors emerge and grow, workers move to places where they can find employment opportunities. Voluntary migration is taking place largely within national borders, but some people choose to work and live in foreign countries. Globally, around 48 percent of international migrants are women, although there are stark geographic differences: there are more female migrants than male migrants in Europe and North America, whereas migrants in the Gulf Cooperation Council (GCC) countries are predominantly males.

Research suggests that reducing barriers to international migration can lead to large global gains, likely larger than gains from trade liberalization. Model-based simulations suggest that a rise in voluntary migration sufficient to increase the labor force of high-income countries by 3 percent phased over a 10-year period would yield a global gain of real income of \$674 billion.

- **The bulk of the gains accrues to the voluntary migrants**, in the form of higher wages and improved social indicators. Voluntary migrants who have moved from countries with a low human development index to countries with a high human development index have experienced on average a 15-fold increase in income, a doubling in the education enrollment rate, and a 16-fold reduction in child mortality.
- **In host countries, voluntary migration increases the labor force and availability of skills**, thereby improving competitiveness and creating employment for native workers. It also allows native workers to perform higher value-added tasks by providing complementary, cheaper services (for example, child care). In the long-term, international voluntary migration flows may contribute to mitigating the decline in working-age population in aging countries. The net fiscal impact of voluntary migration over the past 50 years in OECD countries is on average close to zero, rarely exceeding 0.5 percent of GDP in either positive or negative terms.
- **Migrants benefit their countries of origin via remittances**, skill and technology transfers and investments. In 2015, worldwide remittance flows to developing countries are nearly three times the amount of official development assistance, and excluding China, they are larger than FDI flows. Unlike private capital flows, remittances tend to be a-cyclical, or even counter-cyclical, thus acting as a stabilizing flow during economic downturns. While the impact of remittances on economic growth is unclear, remittances play an important role in reducing poverty, with no significant effect on income inequality—e.g., by 11 percent in Uganda, 6 percent in Bangladesh, and 5 percent in Ghana.



There are, however, also a number of issues and challenges associated with voluntary migration. Voluntary migrants may be separated from family, they may have to undertake long and hazardous journeys, they may become vulnerable to exploitation and abuse by traffickers and employers: under such circumstances, the net benefit from migration may be negative. In some host countries, inflows of large numbers of migrants cause social tensions which need to be carefully managed. In some origin countries, voluntary migration of high-skilled workers can lead to shortage of skills in critical sectors (such as health and education).

A Possible role for Development Actors

Development actors should focus on helping mitigate some of the constraints to maximizing the benefits of voluntary migration. This is in line with SDG target 10.7 (“Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies”) and complementary to activities by other actors. For the WBG, this can build on an important research program and analytical activities.

At the global level, the WBG is intending to focus in three areas: (1) continue efforts to reduce the transaction costs of migrant remittances; (2) scale up action to help reduce exorbitant recruitment costs, which particularly affect low-skilled workers, through an effective regulation and monitoring of recruitment agencies and improved access to information about voluntary migrants’ rights and obligations; (3) support an effective inclusion of migrants in host societies, for example by establishing a (regularly updated) data base of laws and regulations that affect migrants’ ability to become entrepreneurs and employees; updating a 2005 study on the global gains from migration (in particular by also looking at South-South migration and migration to aging societies); and analyzing the factors that can facilitate an effective inclusion of migrants (often through workplace and education, and often falling under the responsibility of local governments).

In parallel, the WBG may adopt a “migration lens” in country programs where it is relevant. For countries of origin, this would include taking into account the benefits of voluntary migration (e.g., flow of remittances) as well as the challenges (e.g., emigration of high skilled workers) in country diagnosis and analytical work. It could also include analytical work to better understand the motivations of voluntary migrants, especially of those who take very high risks that reflect their desperation. For host countries, this could include analytical work on the benefits of voluntary migration, and on the possible adjustment strategies to respond to short-term challenges.