

**Crawford School
Doubling Australian Aid
February 7, 2011**

**The Pacific - Aid and Integration:
Might Migration Reforms Make More
Difference?**

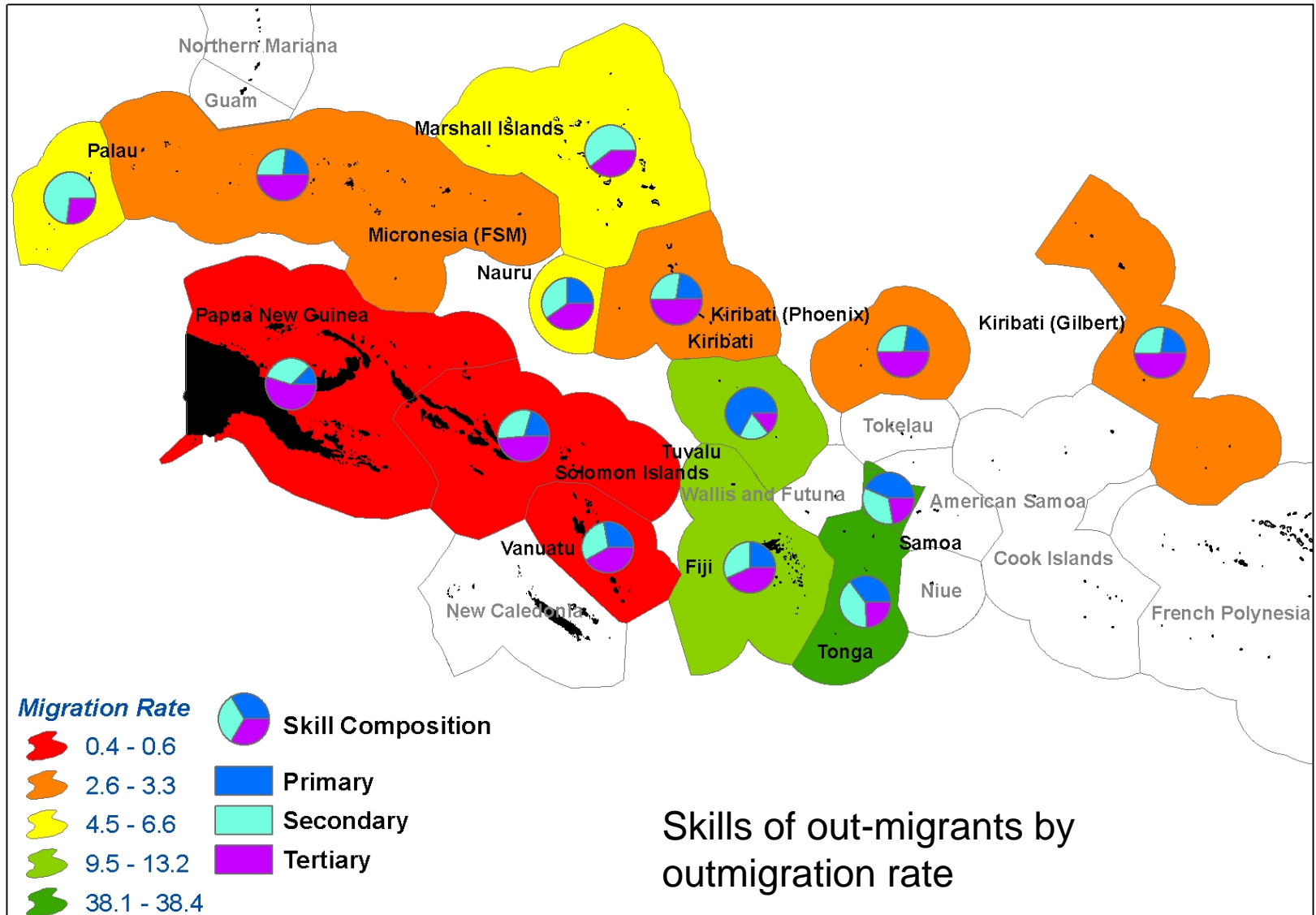
**John Gibson
University of Waikato**

The Pacific Context

- Migration barriers are the largest distortion in the world economy
- Bind very unequally across the Pacific
 - ➔ countries with the lowest average human capital have the highest proportion of skilled labour export
- Ignores comparative advantage
- These same countries are some of the largest recipients of aid in the Pacific

Might migration reform make more difference to these countries than a doubling of aid?

The Pacific – A Sea of Barriers?



Evidence from other island regions

- Michael Clemens of the Center for Global Development gives the example of Haiti:
 - “What *has* done the most, to date, to lift Haitians out of poverty? That answer is easy. *Leaving Haiti* brought more Haitians out of poverty than anything else that has ever been tried: any aid project in Haiti, or any trade preference for Haiti”

(Aidwatch, January 25, 2010)

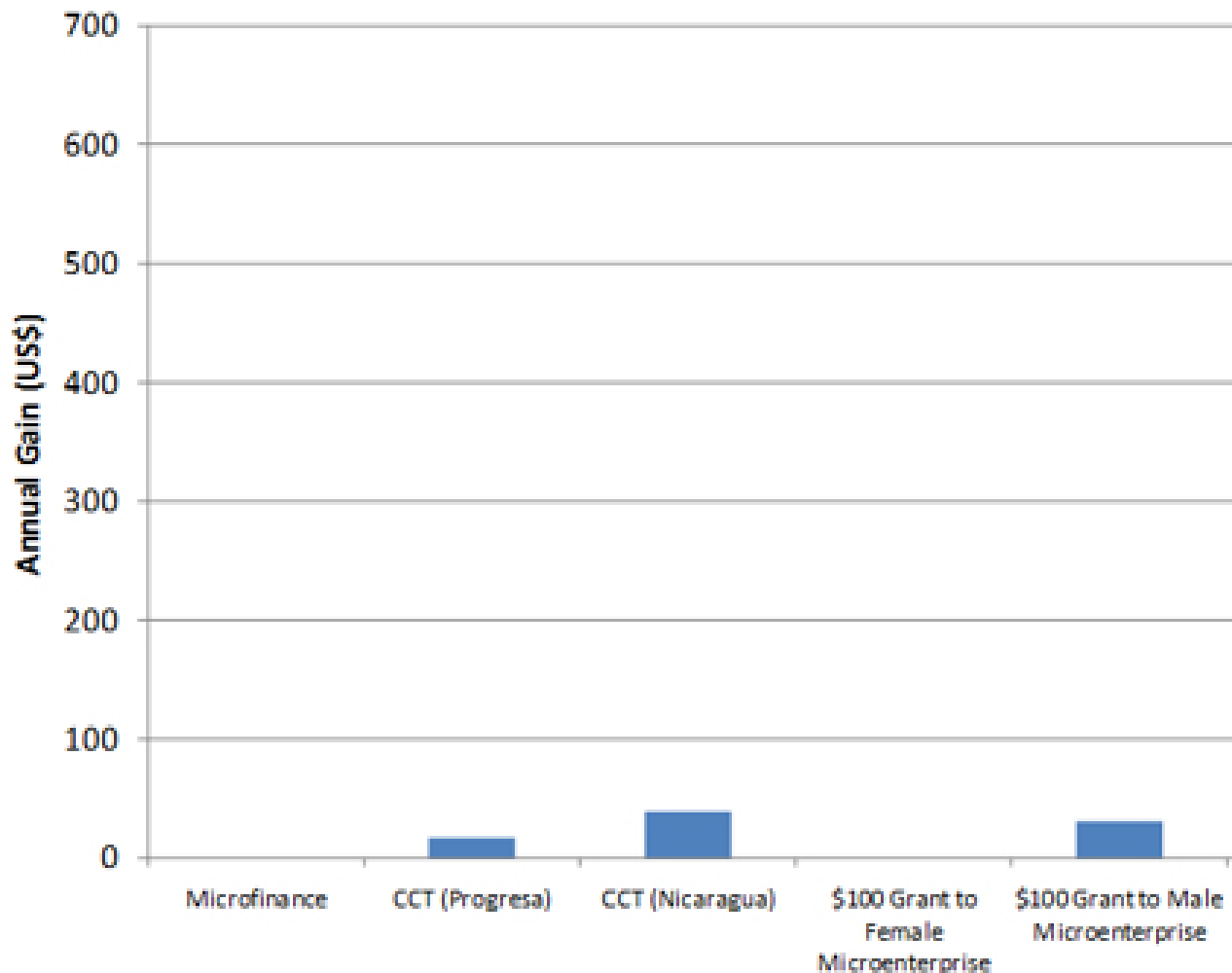
The same likely could be true for many parts of the Pacific

Disappointing returns to aid?

- Rigorous evaluations of popular development interventions suggest very modest returns
 - Randomized evaluation of microfinance (Bannerjee et al)
 - Randomized conditional cash transfers (Attanasio et al)
 - Randomized cash grants (McKenzie et al)
- Yet these are some of the current 'darlings' of the aid-financed development industry
- No reason to believe that the harder to evaluate budget-support or governance projects of the aid industry do any better

Comparison of recently evaluated development interventions

Annual per-capita Income Gain

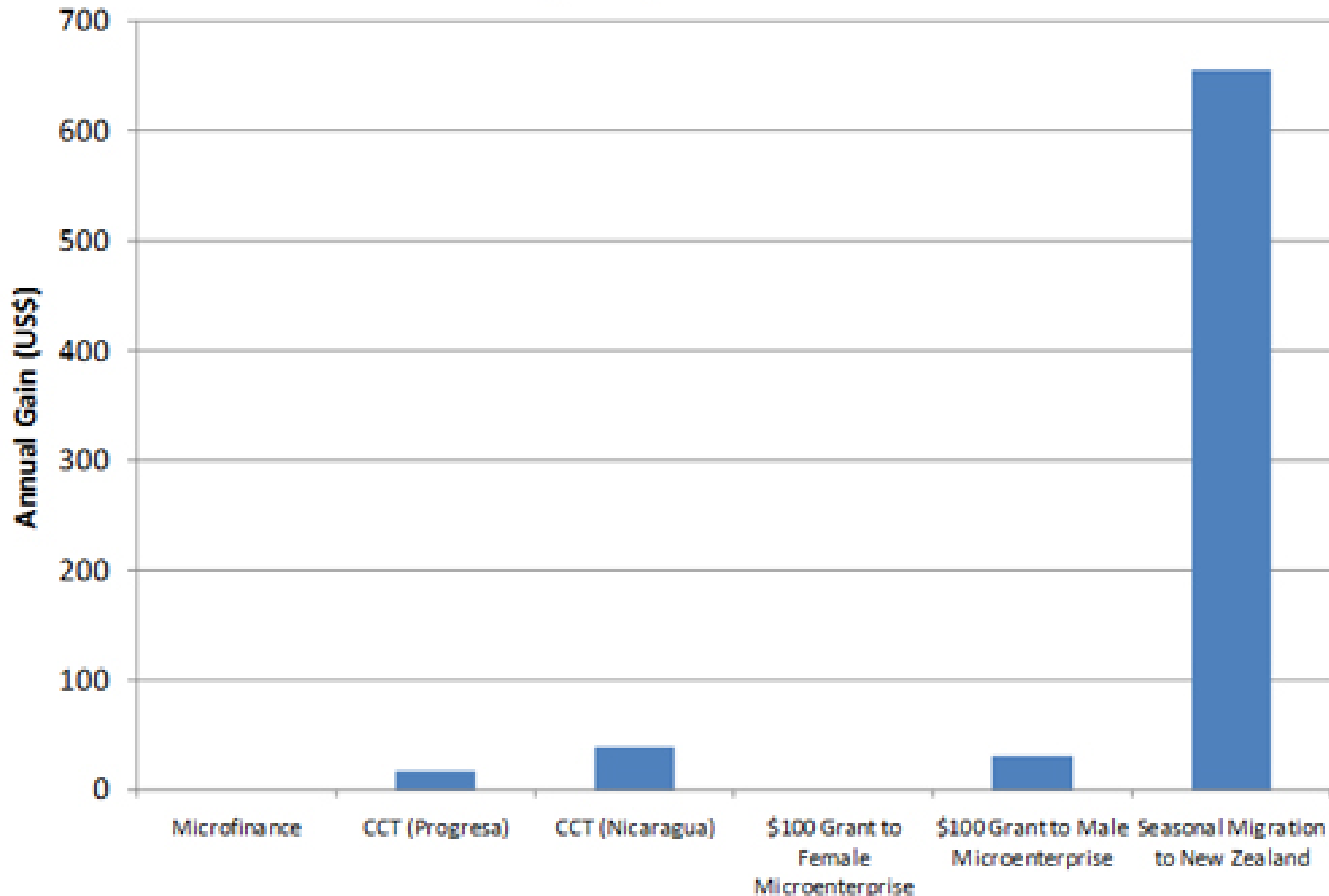


How about integrating with rich country labour markets?

- Smallness and remoteness are fundamental constraints in the Pacific
 - no aid program can overcome these
- benefits of agglomeration/scale economies are only by integrating with large/rich labour markets
 - Either seasonally (e.g horticulture), temporarily (e.g care givers) or permanently (settlement)
- Benefits to participants appear to vastly exceed those of other development interventions

Comparison of recently evaluated development interventions

Annual per-capita Income Gain



Is migration reform “giving up”?

- allowing more migration, especially Melanesian, is not ‘giving up’ on *in situ* development
 - Return migration is significant and “brain drain” concerns are largely misplaced
 - The diaspora could be a significant impetus for reform and development,
 - Remittances likely better targeted than aid
- realistic response to the failure of aid-financed approaches to bring sustainable development to much of the Pacific

Em Tasol